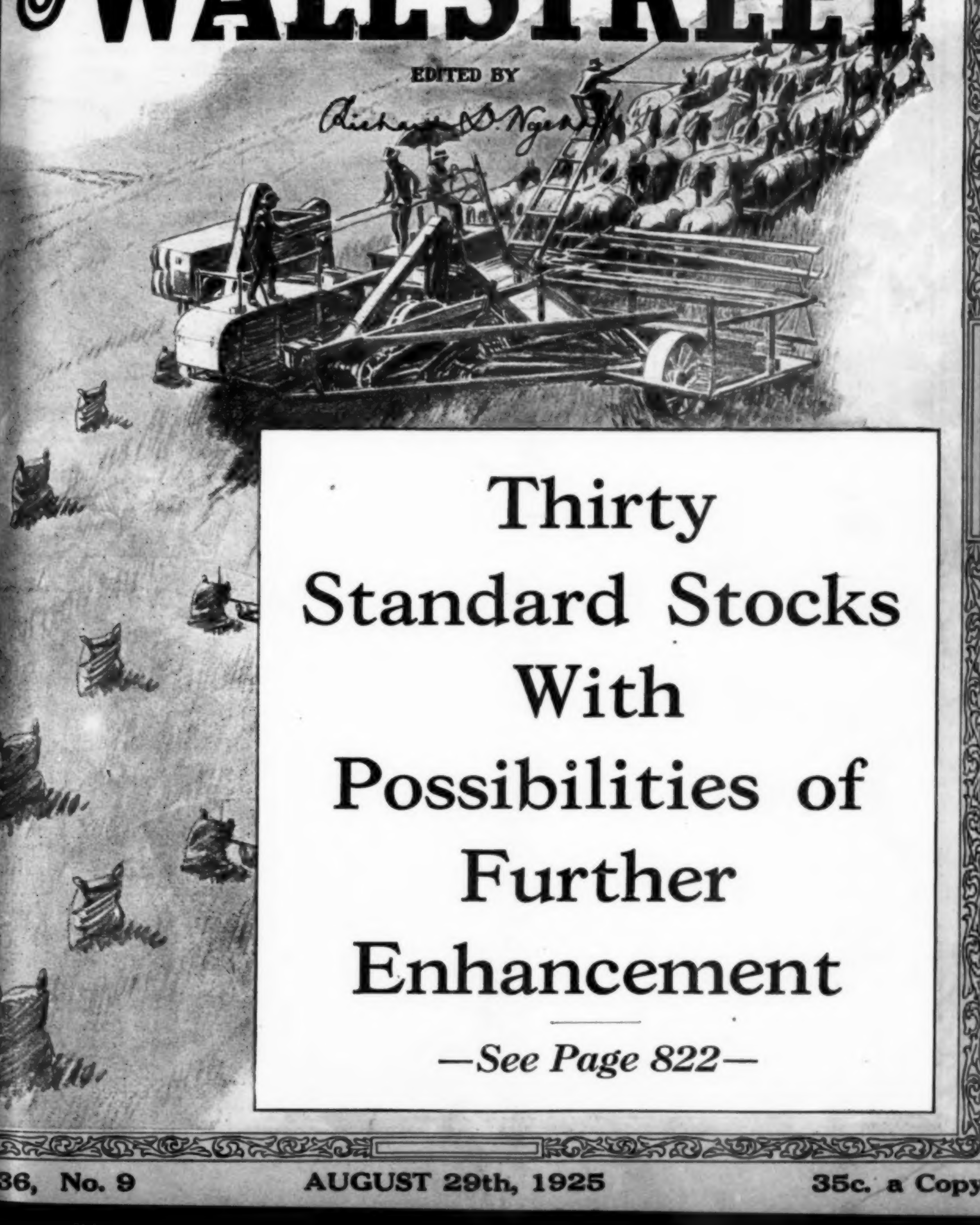
TATUS OF NORTHWEST—RAILROADS AND AGRICULTURAL—IN THIS ISSUE

The MAGAZINE of WALL STREET

EDITED BY
Richard D. Wyckoff



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—See Page 822—

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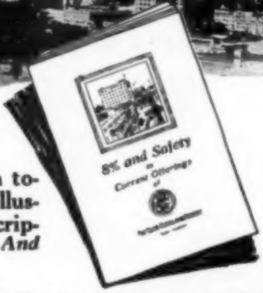

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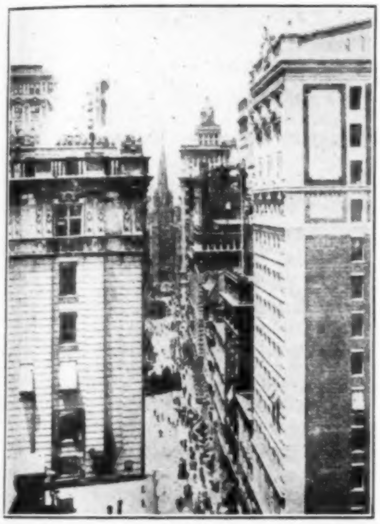
With the Editors

Future Plans for Our Readers

OUR subscribers and readers will be deeply interested in the plans we have made for presenting during the balance of the year investment, financial and business information which we believe will be found of great value in their future security commitments.

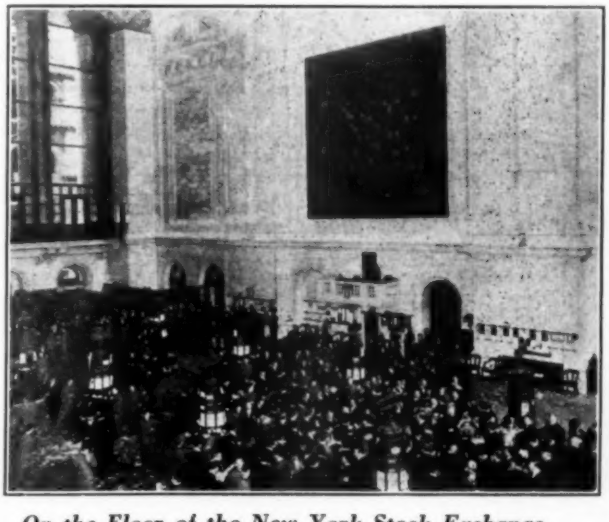
With stocks and bonds at high levels it has become difficult for some advisors to point out suitable opportunities to investors, but in anticipation of this situation, we have utilized the full force of our statistical departments toward scouring the field for all available investment opportunities. The results of their researches will be published in each issue of the Magazine. In the current issue, for example, we have listed practically all the best remaining opportunities in investment stocks. In the next issue, we shall present a special list of the best low-priced issues, dividend and non-dividend paying. Following issues will contain special listings of suitable security switches. We shall also elaborate on our Ratings series and cover the following new groups: Steel, Petroleum, Metals, Food & Packing, Merchandising, and Miscellaneous Manufacturing.



Wall St. from William to Broadway

The department covering bank and insurance company stocks, including joint stock land bank stock issues, will be published regularly in each number of the Magazine instead of alternately as formerly. The Over-the-Counter Department will be expanded to include all of the best available opportunities in this field. We are also developing plans to commence a new department covering the best class of stocks and bonds quoted on the New York Curb Market.

Among special series of articles will be the following: Inheritance Taxes and Securities; How to Determine Bargains in Securities; Important Stocks quoted on the Boston and Chicago Stock Exchanges; How to Deal With Your Broker, and others of unique interest to investors.



On the Floor of the New York Stock Exchange

Subscribers to THE MAGAZINE OF WALL STREET will have as usual the privilege of consulting the following Departments on their various problems: Inquiry; Insurance; Home Building; Budget; Inheritance Taxes; Income Tax (December to March); School for Traders & Investors.

The personal inquiry service is a feature of our work and we shall be pleased to have our subscribers avail themselves fully of our resources in this connection.

We have made arrangements whereby our subscribers will have the opportunity of obtaining first-hand views of some of the most eminent economists, financiers and statesmen in this country and abroad.

Wherever we could, we have improved the value of the Magazine for the benefit of our readers. Suggestions for further improvements would be very welcome.

We trust that our readers will find the Magazine during the balance of the year of a higher standard than ever and more than ever profitable to themselves.

The MAGAZINE of WALL STREET

EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Increasing Profits Through Cutting Costs—Railroad Traffic on the Up-Grade—Speculative Fever Greater—Industrial Outlook—Balance of Trade—The Market Prospect

PROBABLY the great outstanding achievement in American business during the past year or two has been the great success of well-managed concerns in respect to cutting the cost of conducting business. That many firms were impelled to do so because the reduction in the volume of business which ensued in many quarters during that period would otherwise have seriously impaired earning power is not to detract from their accomplishment. Furthermore, except in a few cases, the reduction in operating costs has not been via the old route of cutting wages. In fact, American labor today, as a whole, is as well paid as in any period in its history.

Since labor is the principal charge in most industries, how is it that business costs have been reduced without cutting wages? First and foremost among the reasons that may be cited is the vastly heightened efficiency of the average competent management. The race has been indeed to the strongest and swiftest, with competition so keen, and the urge to keep abreast has been in great prominence since the war and particularly since the great deflation of 1921-1922. This has compelled managements to eliminate waste; to introduce labor and fuel-saving devices; to reduce interest charges by calling in high-interest loans, funding these issues with those bearing a lower, and in some cases a considerably lower, rate of interest; to keep close touch with markets; to refrain from long-range commitments of a speculative nature; to keep inventories down to reasonable proportions; to cut prices of products in order to stimulate sales; and, finally, and perhaps of greatest importance to bring labor to the greatest point of efficiency so that full production could be had without increasing the number of employes. In fact, as in the case of the railroads, many big concerns have found it possible to retain the highest operating efficiency, at the same time reducing the number of men on the payrolls. This, of course, cut down the amount of the payrolls and thus materially reduced the cost of doing business.

All these developments are of first-rate importance for they show that the days of extravagant business conduct, such as marked the war period and post-war inflation, has ended. American business is now back to normal. It has demonstrated its ability to meet a really crucial test and the confidence of American business men and investors in the future seems amply justified.

RAILROAD TRAFFIC

WEEKLY car loadings have passed the million weekly mark about six weeks ahead of the usual time. With the crop-moving season just ahead, it seems that the record for freight car movements will be broken. As a whole, the carriers are in for the most brilliant period in their history since 1916. Most encouraging of all, the Northwestern roads, as indicated in another article in this issue, should be greatly aided by what appears to be a certainty of a rate increase. With this large and important group of roads again in a position to make a satisfactory earnings showing, the railroads of the country, with only a few exceptions, seem to be in a solid position. This should improve the credit of

the roads and pave the way for new financing through sale of stock, something which has been sorely needed by the carriers for a number of years, as their funded debt has increased greatly out of proportion to their financial strength.

INDUSTRIAL OUTLOOK

WITH the normal season for an increase in general business at hand, the situation is shaping up for an improvement all around until possibly the end of the year and maybe over into 1926. The steel industry, always a dependable barometer, is gradually increasing its operations; railroad traffic is of enormous proportions; retail and wholesale trade is being stimulated by early demand in anticipation of autumn requirements; the agricultural outlook, while not brilliant, is reasonably satisfactory and the wealth extracted out of the ground during these few weeks should provide the base for a general increase in volume of business; money while slightly firmer is reasonably cheap and even if rates are again increased, not an improbability, it should not act as a deterrent to fulfillment of normal business requirements for credit. Of course, business is spotted in a number of different directions, particularly in the textile and coal industries and the oil industry has proved a disappointment. Nevertheless, there need be no concern over the general outlook for the next few months.

EXPORT SITUATION

THE United States balance of trade is gradually and unobtrusively dwindling. For the months of May, June and July the total surplus of exports over imports was only 53 millions. In June, the balance was less than 2 millions and, in July, only 12 millions. These are small figures compared with last year when single months produced a surplus of fifty millions and over.

Of especial significance is the fact that the drop in exports has been due mainly to a falling off in wheat and livestock shipments, especially wheat. With a comparatively small wheat crop in prospect for this country, it is likely that wheat will go on a domestic basis. In other words, there will be little available for export. This cuts off one of our large sources of revenue derived from exports. It is possible that the next few months will produce a surplus of imports over exports.

SPECULATIVE FEVER

THE current great daily advances in individual stocks and the increase of speculative interest in the stock market is symptomatic of a growingly unhealthy situation. The market is in process of discounting the future but in a great many cases the process has been carried to absurd lengths. Imagination is taking the place of cold scrutiny of values and in the process caution is cast to the winds in the hope of making a large speculative profit where such profits seem so easy. Inflation may not exist to any great degree in the current phase of the economic cycle but it has made and is making its presence felt to no small degree in the stock market. There is always one end to inflation and that is deflation.

MARKET PROSPECT

MARKET prices of many stocks represent an idealization of the future rather than a genuine attempt to appraise values on the basis of real worth. The result is that numerous issues have probably discounted their prospects for the next two or three years. This is particularly true of a number of public utility shares and a goodly number of miscellaneous stocks which have been pushed up to levels 200, 300 and 400 per cent above their market prices of a year ago.

We do not claim that real opportunities cannot be found in the stock list but such opportunities can no longer be said to exist among those stocks which have pursued a practically unbroken advance since the decline of last March. Rather these will be found in a relatively small group of investment issues which have lagged behind and in stocks representing industries which are now coming along in good style and which have not yet fully discounted their prospects. Among such, for example, are railroads, steel, fertilizer, harvesting machinery, leather and shoe. We believe that at this stage of the market investors should have completed the process of disposing of speculative stocks which are selling at greatly inflated values, and that their holdings should be limited only to sound issues which are selling at reasonable prices from an investment viewpoint.

Monday, August 24, 1925.

The Mania for Land Speculation

Fantastic Prices Paid for Land in Various Parts of the Country

By OGDEN FULLER GRAVES

THE golden lure of land speculation is enticing money again, and at a rate never before equalled. Fortunes have been made and are being made in land speculation through large districts of the United States. Florida is an extreme instance: every ray of present and potential sunlight, every bit of kindly sod, have been capitalized to levels that are amazing.

New York City has been badly infected and much of the money going into speculation in the great metropolis is a transfer of Florida profits. The Rockaway coast of New York had a maniac flare-up: this has gone down, but its evil genius has crossed to many other nearby beaches. Most of the large cities are affected more or less.

The Florida boom has filled the Southeast with hope. Even Mississippi, whose discriminatory tax laws against non-resident real estate owners scare off all outside investment—even Mississippi dreams dreams for her Gulf coast towns.

It is true that this speculation is spotty. There are whole sections where land values are far below what they ought to be. Texas, on the whole has not seen land values advance as they should have, except in Dallas. Fort Worth, Houston, San Antonio are undervalued. Property is much lower for similar property in those cities than, say, in Birmingham, Alabama. Some cities are overbuilt like Kansas City, Atlanta and Dallas, others underbuilt like Houston, Birmingham and San Antonio. In some cities, the memory of inflated booms has acted as a sobering influence. Such is the case in Portland, Oregon, and Seattle, Washington. In many cases in Seattle the value of land is less than it was in 1908. The future was then overcapitalized. No matter how great Seattle has since become (and it has a solid foundation for great prosperity) it has never equalled those overdiscounted values. Property on First Hill which sold in 1908 for $600 a front foot is now $175.

Sometimes legal restrictions play a part. In Illinois and Massachusetts the equity redemption laws check mortgage loans. The equity redemption law allows the former holder of the equity a certain space of time after foreclosure to buy back his equity and take care of the mortgage. This acts as a check on turnover, but for all that Chicago has had a fairly large boom.

Some of the hectic figures in this land speculation are almost unbelievable. A hotel is sold for $700,000 at Brighton Beach that two months ago went begging at $400,000. A lot is sold in Far Rockaway for $525,000, purchased a few weeks ago for $50,000. Profits of 20% in one day are not unknown, as are losses. When a subway was projected for Central Park West, New York City, many parcels went up 100%, with the purchaser having full knowledge that the expensive buildings thereon would have to be torn down to make room for buildings whose value would be in alignment with the land.

But why consider New York City when we have Miami to look at? There are lots on Flagler Street that are selling for $15,000 a foot front—it would do credit to the heart of New York. The United Cigar Stores paid $7,500 a foot front, and were immediately offered $10,000 to resell. On Bay Shore Boulevard values go from $2,000 to $4,000 a foot front, about half the value on Park Avenue, New York, with its fifteen-story apartments, housing the wealthiest families in the world. It does not matter that southern ports are depressed. It does not matter that values have gone way ahead of Atlantic City, although there is no clear evidence that the tourist traffic of Miami will ever far exceed Atlantic City. All sorts of possible factors are capitalized, tomato farms, orange groves, grapefruits, possible rubber plantations, possible great agricultural importance of the reclaimed everglades. Were all this to come true, it would not have the annual earning power that is now capitalized. And in all financial matters there is a great spread between expectation and reality.

There are a few special weaknesses in the Florida situation. All of the south has been drained into its vortex. Young men do not want to pursue quiet businesses in Macon and Raleigh. They have joined the swell in the great centre of real estate brokers. No community lives by taking in each other's washing, and an unconscionably large part of Miami's population consists of "fly-by-nights" with small capital who seek to operate on a shoestring.

But there is a weakness more fundamental still. A transaction is reported as typical in which $109,000 was the selling price and $7,500 the payment down. The balance was given in five notes, due annually. Of course, the purchaser, who has no capital, expects to sell before he meets the first note. If a great many people will have to sell to meet notes things will not go so well.

It is strange how distance lends enchantment to the view. Parcels six miles from Miami which ought to sell at $100 an acre at best—as they would near Atlanta—sell for $50 a front foot. One section sells at $800 a front foot. Granted that Florida has a great future as evidenced by population growth. Yet this country has been built up all through the west on the basis of land speculation, but though the country grew, the intervening breakdowns in values wiped out hundreds of thousands.

It is all the more amazing when one remembers that a leading operator in this district sells a $10,000 lot at a cost of $4,000. Gorgeous pressure salesmen and gorgeous offices and exhibits cost money. He gets $1,000 down, and wants New York bankers to finance him on the notes for $9,000. As though any considerable percentage will take title and pay the balance. The bankers are not enthusiastic. They still seem to think that when the future of Miami per lot is valued at four times the demonstrated value of Kansas City per lot, that caution is the better part of valor. But, of course, Kansas City is based on vulgar things like petroleum, hogs, corn; in other words, business, whereas Miami has the ethereal properties of the heavens and the mundane beauties of citrus plants.

But Miami is far from standing alone. It is agreed that the 1925 market has shown a range and an activity that has surpassed any year known. Many brokers admit that they have done more business in four months than is usual for a whole year. A great real estate organ states that the public is "real estate crazy." It is agreed that in no former boom has the general public been so much involved.

Most of the measures of real estate values are inadequate. Assessed valuations vary so much in character from one city to another as to be an untrustworthy guide. Even in New York City, supposed to be assessed at $5,500,000,000 land value, subject to taxation, there is evidence that the true value is nearer $6,500,000,000. The Tax Department is reported ready to act on the new valuation. An interesting straw is the difference between the conveyances that must state a

true consideration, and the assessed valuation of the realty conveyed.

In 1923, the assessed valuation was 86.3% of the true consideration, in 1924, 86.2%, but in 1925, 79% of the true consideration. If this were extended over the city, New York land values ought to be about $6,900,000,000. In addition to this it must be remembered that the tax rate fifteen years ago was 2% and today 2.75%, and, of course, that part of the land value that is taxed cannot be capitalized into the sale price. On this basis we can say conservatively that the value of land in New York City has risen from $3,800,000,000 in 1910 to the equivalent of over seven billions today, an increase of 84%. On the face of it it seemed that it had increased to $5,500,000,000 or less than 45%. In other words, land values have gone up far more than the cost of living.

How do the more careful brokers view this situation? Some with satisfaction, but the majority with forebodings. The president of the National Association of Real Estate Brokers has been reported as stating that a slowing down would be better. Another operator thinks that land has yielded more than bonds in the last few years and is a formidable rival of investment securities.

In an upward movement many things show excellent yields, my most excellent broker. What about the average over both fat and lean years?

There are some indications of a change. Up to now building has gone ahead by leaps and bounds. The six months from January to June were the greatest building months in our history. Yet there is accumulating evidence that much of the space shortage that arose during the war is being satisfied. A survey of the more expensive apartment houses on the East side, New York, showed 9% net vacancies, of which 24% were vacant in new rental buildings built in 1924. It is responsibly estimated that there are 35,000 vacant apartments in New York City alone.

It is increasingly difficult to get purchasers for many of the two-family houses recently built, at anything like a profit. All of this is contemporaneous with the greatest number of real estate transactions in nine years.

Speculation in land has been fostered by the ease of obtaining money. The low rates of interest obtainable on money at call, or on standard bonds, have led an interest-hungry mass of investors to look for something paying a better return. Now the price of land is in excess of what it would be if it were not for easy financing. In other words, a plot on Michigan Avenue, Chicago, is worth more than its economic value, when money can be obtained freely to build any kind of imposing structure thereon. If money rates go higher and investment capital can find plenty of less speculative outlets, then to this extent the value of land will be reduced.

New construction in Miami and other cities in Florida has developed with startling rapidity. Note the permanent type of construction. In other booms, speculators had been content with putting up temporary structures.

If pawnshops would be glutted with cash, and would pay higher and higher percentages on the value of diamonds, that value would go up further and further. If bankers will stick to cold-blooded criticism of future mortgage and loan values, over a period of time to be covered by such mortgages, then it follows that much of this abundance of money would not go into land speculation and the artificial increase of values would be checked. Not only has money been plentiful, but outside of some southeastern cities, the supply has well exceeded the demand. This is a perfect base for speculation. But what a fragile base!

Nor has common sense stepped in. There are billions of dollars in New York available for lending money on mortgage, at a net underwriting cost of 1%. Savings banks and insurance companies alone find it hard to fill their requirements with "good stuff." Why are some loans being floated where it is certain that a much higher commission than 1% has been paid? It is obvious that such are not prime investments. That is not to say that they are bad, but that they are not first-rate and some may prove to be poor. Only abundance of money is responsible for the way such loans are snapped up.

Everyone wants to be sure that a mortgage is at the worst, only two-thirds the appraised value of the realty. Hence, all sorts of needed appraisals have been readily forthcoming. The National Association of Real Estate Brokers, ever jealous of its high business honor, has passed a resolution condemning in unmeasured terms such practices. They state, truly, that this is done only by a minority, but it is true that unauthentic or excessive appraisals are being made by the less responsible houses and that such appraisals are sometimes knowingly false and misleading. In many cases where the mortgage is all of the money there is in the new construction, the valuation is jacked up 50% and lo! the purchaser sees an equity.

Owing to rapid resales, values become confused. In New York City, a lot sold for $550,000. Within a month a prominent operator loaned out $560,000 on the parcel. He would probably justify himself by pleading that it could bring this on a resale.

Another set of abuses that have risen is the lending of mortgage money to as much as 120% of true value by fly-by-night operators. The bright idea is that by serial amortization the mortgage will be brought down to true value in three years, and in the meantime, if the the property is well selected, it will have advanced in value, and so the mortgage will finally be safe.

A third scheme of these operators is to loan out money, obvously in excess of value, to a clever commercial organization, feeling that the demonstrated earning power of the business, not of the property, is an ample safeguard for the realty loan.

Let these three practices, combined with excessive appraisals, become widespread and there may be a breakdown.

Every panic in our country has been preceded by an orgy of land speculation. This statement is true without qualification. Whether in 1837, 1857, 1873, 1893 or 1907, the culmination of every period of prosperity, was a land boom and a panic. In fact it was the terrible 1873 panic that led many people into the theory that only land speculation was responsible.

This is not a mere coincidence. It must be remembered that the value of land is the greatest of all values. Of the physical values in the United States it is scarcely an exaggeration to say that the land is worth nearly as much as everything on top of it.

Land is a monopoly. Its supply is not elastic. Hence, the advantages of location must be paid for at a monopoly

figure. The landlord is a better and more automatic tax-gatherer than the government. He has to be paid the full monopoly value of his location. Therefore, land values tend to absorb a great deal of the profits of business. During a depression there is not a large surplus for rent. But after a period of prosperity, when things begin to hum, the value of land is the last to respond, but it responds heavily. It begins to tax industry heavily, just when industry has passed the peak. It is piled on an already over-extended business situation. This can clearly be seen by the retail store situation in newer communities. There is an appalling rate of turnover because the land claims all the residual profit of the businesses.

Since land values are the last to rise, and since their magnitude is such that they are worth nearly all that is over the land, and since they get the residual profit, it follows that a feverish land speculation is the beginning of the end of a period of great speculative business activity. Housing is not a very elastic affair; if there is a shortage of 2% the landlord is king, if there is a surplus of 2% the tenant is king. A surplus of building would accordingly be a serious threat at the value of land.

The break may come in this way. The more feverish your speculation, the greater the speed of re-sales. There are re-selling syndicates backed by rich business men, that are making fortunes today. Eventually, as confidence declines they will have to sell to those with smaller capital—in other words, "shoestring" speculators. With the decline in value these will be unable to take title. The general public being heavily involved, this failure will be of considerable dimensions. This will lead to a still further loss of confidence and these loans instead of being a liquid asset will be tied up. The foreclosures will further depress land values, and make it difficult for the soundest properties to obtain loans.

A Factor in Business Prosperity

The manner in which this will react on business can be best illustrated by a study of the relationship between building activity and business. During the last year business has not been bad but it has been stagnant. The one factor that has sustained it has been the tremendous volume of building—the greatest known. This has affected the demand for structural steel, cement, etc. The great business activity which it has brought about is the one influence that has kept business from being positively dull. If the volume of building will reach a peak and soon decline, it would not be for the good of business. But if there is to be a major real estate depression set into motion by this overbuilding, then it is certain that there will be a serious effect on all business. There can be little doubt of this, unless by that time business has got such a push from the building boom that it will be independent of its source.

Of course, there are those who will tell the investor that there is no need for gloom, and that a man ought to be a bull on the United States. So he ought. No one denies that booms of this magnitude have a basis. Wealth and population are increasing and with them the value of land. The only question is whether or not that rate of justified increase in land values has been surpassed by the actual increased value of land.

A common objection is that which holds that as land values have risen in certain sections only, there is no fear of a major depression. But every real estate inflation has been spotty. Before 1873, there was, if anything, a declining value of land in the south. New England did not share in the inflation prior to 1893. It is fortunate that the causes are spotty, as the parts unaffected by the boom constitute the resistance against hard times.

But above all there is need to discriminate between various classes of real estate loans. Nothing but the best should be bought. After all there is nothing gilt-edged except brains.

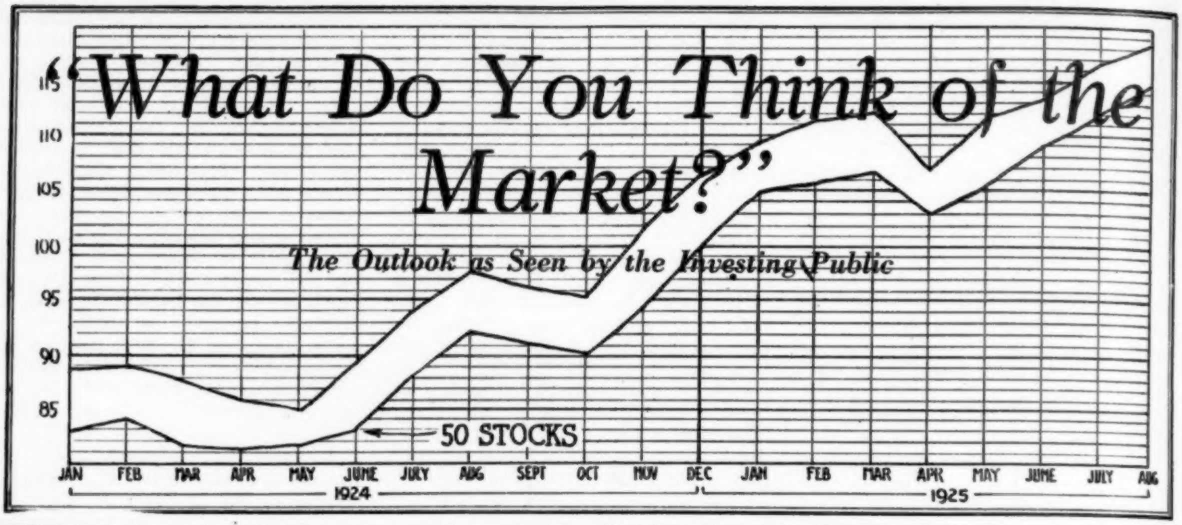
In conclusion, the writer would note that while the situation outlined above represents one of the most vital and significant influences on the economic future of the country, it is not intended to give an alarmist picture. The country has fundamental economic health and can easily absorb certain losses due to this land speculation. Nor must it be forgotten that the greater part of the country, not having been affected, would not be seriously injured by this speculation, in view of the powers of resistance of the country.

Investments in conservatively appraised and well managed properties, and in well considered new building ventures are still classic examples of good investments. The avoidance of speculative commitments and the selection of prime first mortgage investments is the path of sanity, and will yield excellent returns.

A scene from the late Rockaway real estate boom which completely fizzled. Many speculators lost large sums when the bubble burst. Scenes such as the above were duplicated in near-by resorts where gambling in land and buildings reached a point of absolute frenzy.

"What Do You Think of the Market?"

The Outlook as Seen by the Investing Public



WHILE in a fundamental sense, the business and economic trend determines the course of the securities market, it is also true that the trend of prices is largely influenced by the attitude and opinion of the hundreds of thousands of people who own or intend to own securities. If the preponderance of sentiment is pessimistic, it may herald a decline in the market. If sentiment is mainly hopeful or optimistic, securities are more likely to advance than decline. That is why it is important to understand the psychology of the investing or speculative public.

Every purchase or sale of securities represents the belief or hope of an individual that this is a logical action. John Smith, for example, sells his Steel stock at 123 because he thinks it is high enough and that nothing is to be gained by holding on any longer. Henry Robinson, who buys the stock from Smith, feels that Steel at 123 is a good investment. Multiply this by the tens of thousands of transactions which take place daily in the security markets of the country and you get an idea of the powerful effect of public sentiment on the course of securities.

Of course, important financial interests know that they can influence public sentiment by manipulating leading stocks one way or another, as their interests demand. In the long run, however, such efforts can have only a temporary effect unless they coincide with the state of mind of the general public. In the final analysis, therefore, it is to the people that we have to go for an idea as to the future trend of security values, for it is the public mind which makes or unmakes these values.

This has been the most remarkable bull market in history and it is consequently of unusual importance to ascertain public sentiment. With this purpose in mind, we have sent several members of the editorial staff out among investors to ascertain just what the latter think of the market and what their opinion is as to the outlook over the next few months. The opinions of all kinds of people have been solicited—bankers, business people, ordinary traders, professional men and women who invest in securities, and employes in humble walks of life but who are interested in securities. We have selected only the most interesting of these opinions and set them before our readers in the belief that they will offer some valuable suggestions. It should be understood, of course, that these views do not necessarily represent those of this magazine which regularly publishes its own opinion on the market in the editorial section under the caption of The Market Prospect. We give along with the market views of the people interviewed, their business or profession. It is significant that of the fifteen statements given herewith, nine are bearish, only five bullish and one neutral.

For an intimate view of what the more intelligent investing public thinks of the stock market outlook, read this unique article which contains the opinions of fifteen representative investors. You will find out what percentage of the public is optimistic on the trend of securities and what percentage believes the market is in for a decline. Aside from their definite predictions, the ideas, as expressed, are of tangible value on some of the more important phases of the market.

(1) *Executive in publishing business.*

"Many people seem to believe that the market has reached top and that we are in for a break of wide proportions. I do not subscribe to that theory. I can't see how such a break can come about unless there are fundamental developments in the making, of such an adverse character as to justify a big decline. This market has advanced on low money rates and the outlook favors continued low rates. The cut in the Bank of England bank rate tends to bring American capital in London back to this country and should extend the low money rate period. This leaves ample opportunity for continued advances in securities which are entitled to such advances by reason of their earnings, financial condition, etc. I do believe, however, that a great many of the industrials have advanced too far and as a class do not favor these issues. I like best the railroad shares, particularly those depending on the condition of the farmers. Above all I would place the Northwest roads which I feel will make a sensational recovery. I don't like the Eastern roads because of possible labor troubles. Industries which directly benefit when farmers are prosperous should be favored. I feel that investors may look forward to the future with confidence."

(2) *Dealer in feathers and real estate operator.*

"One of the reasons for the advance in securities is that business has not been so overwhelmingly good as to demand that business people put all they have into their business or even borrow heavily for this purpose. The result is that they have a good deal of idle cash which has to be put to work some way. Some people have placed their money in securities and others in real estate. Many of them are deliberately trying to augment their income this way since their business does not provide enough under existing circum-

stances. It seems to me that the poorer business gets, the more people go into the market in the hope of making some extra money. Of course, this is an unhealthy situation and it depends on how long the banks are willing to extend credit for market purposes. My idea is that we have nearly reached the limit and that it won't be long before we have another shake-out such as the one last March."

(3) *Secretary of large engineering corporation.*

"I can best tell you what I think of the market outlook by informing you that I have sold all my holdings except one public utility stock which I have held for years and which I do not intend to liquidate because I believe it will eventually sell at higher prices. I believe some of the present prices for stocks are fantastically high. I intend to leave the market alone and wait for a better buying opportunity."

(4) *Investment student.*

"There is no use talking of a market. What we have simply is a bunch of stocks moving in both directions, as impelled by their fundamental outlook, not to speak of pool movements. A good many stocks will sell higher. Others have reached the limit or ought to have reached the limit. What the investor needs more than anything else in this market is common sense. Above all, be sure not to follow the herd. They look as if they were in for a fall."

(5) *Board-room trader.*

"I haven't been buying anything but the rails and those only representing western and midwestern roads. I think the rails are going to wind up this market. Looks like the oils are definitely through and I don't believe the other industrials are worth following any longer. The utilities are overboomed. The market is full of

specialty moves and small-fry pools are hopping from one stock to another. They push it up a few points and then switch to something else. In the meantime, the former favorite sinks back to where it started from or even lower. This does not make for much confidence in at least the trading position. Of course, from a long-pull view I suppose there are many good stocks but I am interested only in fairly quick trading and as I don't care to sell short in this market, I stick to the more attractive speculative rails."

(6) *High school teacher in economics.*

"It seems that with all the money that has gone into brokers' loans there is still enough to snap up all the investment offerings, especially in bonds. There is certainly enough credit available for the present needs of business. Now if business needs more credit in the fall it will bid up the price of money, and will tend, therefore, to reduce brokers' loans. But if the needs of business require greatly increased credit, then there will at least temporarily be a boom in business. If business is excellent there ought to be a reflection in stock quotations. But

how are you to have a market that reflects this healthy business condition unless you have heavy brokers' loans with which to finance the orders? This is the one thing that puzzles me and makes it impossible for me to see ahead."

(7) *Physician.*

"The trouble with those who look for an early break in the market is that they do not see that the apex of public interest has not as yet been reached. As a matter of fact, the public is not in the market in the sense that it was in the market in 1919. Until the public is engulfed, the market will not touch the imagination. It has always got to do that to reach hopelessly high levels."

(8) *Engineer in large public utility holding company.*

"It seems to me that with the present wide distribution of securities you are getting more and more into a mob situation. When securities were held

by fewer people, they were part of a wealthier class whose business it was to deal in values, and who had some ideas as to when quotations were in or out of alignment with intrinsic value or earning power. Now that you have shares distributed, in some cases, to hundreds of thousands, who stolidly and ignorantly hold on to them when their true value is less than the quotation, your market will last longer but when it cracks it will be subject to panic pressure from the widely dispersed selling. Of course you can argue that the larger the number of stockholders the greater the stability. It is true that this non-market holding of securities throughout the country makes the giant corporation stocks act as a sort of ballast when the market is spotty, but I don't want to be there when things crash."

(9) *Ladies cloak and suit manufacturer.*

"The market is going higher for the simple reason you haven't had really fine business as yet this year. I don't care what all your experts say, business hasn't been bad but it has been pretty slow. The stock market advanced though business was not remarkable because those in it had faith that business would become better and better. I think things will pick up wonderfully this fall and go into the Christmas season, and that will lead to good buying at least into January. If prices go higher, as they ought to, and inventories are marked up, the thing may last to Spring. The stock market will have to keep up with this until there is some sign that business is beginning to run down."

(10) *Statistician in Wall Street brokerage house.*

"There is a confused lot of talk about specialties and pools, and all this has become a sort of catchword. There is no

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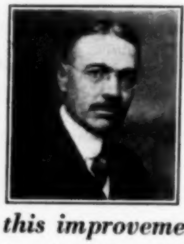
Sanity of Great Northwest Returns Along With Good Times

How the Leading Banker of the Northwest Sees the Situation

By E. W. DECKER, *President Northwestern Nat'l Bank*
In an Interview with THEODORE M. KNAPPEN



THE great Northwest has been the economic sore spot of the nation for the past few years but last year's agricultural bonanza proved a lifesaver. How fundamental is this improvement and on what conditions will its duration depend? These are some of the vital questions discussed by one of the keenest students of the situation. Mr. Decker's analysis possesses further value from the frank way in which it discusses the needs of the Northwestern railroads and how their position may be permanently bettered.

THE Northwest is fighting its way back to normalcy and prosperity from its years of political lunacy, erratic banking, reckless farming and hard luck. But the railroads—?

One of the towering "provincial" banks of the United States is the Northwestern National, of Minneapolis, that solid commercial capital of Minnesota and the Northwest. One of the outstanding bankers of the nation is its president, E. W. Decker. It was to Mr. Decker that I went after getting some personal impressions from a trip through the North Star state—land of iron, forest and prairie, and bread and butter—for an authoritative presentation of the Northwestern commercial situation.

"Last year," he said, "we of the Northwest had our first ray of sunshine after a number of trying years, years that were agonizing to farmers, merchants, bankers and railroads. Poor wheat crops, low prices for farm products, high prices for what the farmers purchased, inefficient farming, reckless banking, bad weather and hard luck united to give this rich region a staggering blow. Then came 1924 with a bumper wheat crop and good prices. We began to see the light again. Farmers paid many millions of dollars on their debts and back taxes, the banks got back to a sound footing and safer practices, business got better. We are about on our feet again. Retail business is practically normal, and the wholesalers are receiving satisfactory fall delivery orders, but much depends on this year's crops and the prices they bring—particularly wheat. With a fair measure of luck we will be set for another period of prosperity.

"At this time the outlook is good for a large wheat crop in the states of Minnesota, North Dakota, South Dakota and Montana. The acreage is larger than for several years and a fair yield is indicated. The forecast is that North Dakota will this year rank ahead of Kansas as a wheat state. The world wheat situation promises good prices. The world's crop, it seems, is going to be about the same as last year, with a smaller domestic and a larger foreign production. At home the Northwestern wheat country promises better yields than other important wheat regions of the country.

"The shortage in the domestic crop on a whole leads most of the crop experts to predict that before the end of the new crop year we will be on a domestic market basis for wheat. This is something that has not been known in the United States for a hundred years. The 42-cent tariff on wheat would then have some protective value, and our wheat producers might get a chance to even up the scales of the years when the purchasing power of the farm dollar was so much lower than that of the city man's dollar. The protective tariff system might at least confer some direct benefit on the farmer. During the 1924-25 crop year the grain receipts at Minneapolis and Duluth-Superior have been 400 million bushels against 235 million bushels for the previous year. Another such year would work wonders, and is really needed to get us back on a sound footing. We have had to live on our fat; our reserves need replenishing before we can be said to be in a normal condition.

"What another good crop year may do for us may be gathered from the known results of the 1924 come-back. Including Wisconsin, the hypothetical farm value of all crops in the Northwest was $400,000,000 more in 1924 than in 1923. Bank customers' loans were reduced by $150,000,000 and large amounts of other debts were paid off or reduced.

"Notwithstanding the increased wheat acreage this year the tendency in the Northwest is more and more toward diversified farming, as far as climatic and market conditions permit. Minnesota is still commonly thought of as a wheat state, but in fact it is not more of a wheat producer nowadays than Pennsylvania. We raised only 34 million bushels last year and the estimate is for only 24 million this year. We are one of the leading potato states of the country and the first in butter making. In an average year all our dairy products are worth around $155,000,000—butter alone $85,000,000. Our poultry and eggs are worth nearly twice as much as our wheat. We have become one of the great corn states, and our corn crop is worth two or three times our wheat. Minnesota is an all-around agricultural state. We have few farms that do not have more than one money crop, and few that do not contribute directly to the daily victuals of the farm family. Yet the hard times taught even our thrifty farmers a lesson, and a recent survey shows that they have found ways to decrease production costs. No doubt agricultural efficiency is also considerably higher in the other northwestern states than it was.

"As might be expected, the return of prosperity is more evident in the country than in the cities. Some commentators might be inclined to bewail the rush of Northwestern farmers to buy automobiles as soon as the tide turned. But at least it indicates an optimistic state of mind—and that is worth much after several years of regional blueness. The fact is that the sales of passenger cars were recently the largest ever known in the Northwest. On the other hand, few would find fault with the acquisition of a washing machine by the over-burdened farm wife, and there seems to be a regular boom in the rural purchases of those machines. With them goes some sort of power generating machinery. If electric current is not available from a central source, the farmer frequently has his own farm unit or else a gasoline engine, perhaps the engine of the family car, runs the washing machine. While buying automobiles again, our farmers are not neglecting agricultural implements.

"One lesson that farmers seem to have learned from our period of careless banking and extravagant agricultural methods is to put purchases of consumptive goods on a cash basis. They shy at credit for operating and living expenses. In some lines of trade country merchants report that 75% of their customers are now on a cash or 30-day basis. Our farmers are paying cash for their consumptive goods or are going without. All this augurs well for the future, and is an assurance of ultimate prosperity even if fickle nature and inconstant markets should disappoint us this year after many fair promises.

"Even if all goes well with crops and markets, and our great iron mines, forest industries and manufacturing, there will still be one weak support of our well-being so long as the railways continue to be crippled by uneconomical labor conditions and inadequate rates.

"With uneconomical labor conditions I do not necessarily include a high wage level. I certainly am in favor of railway workers getting a generous return for the work they do. The quality of work delivered in return for high wages, however, should be on a par with the pay. In my opinion, the government railway administration made a serious mistake in raising wages out of proportion to productiveness. It was a major factor in bringing about the inequitable distribution of national income that bore so heavily on the farmers. First the railway men, and then most of the other urban workers, were paid for more than they produced. Someody had to make up the difference, and as it worked out it was the farmers who got the small end of the deal—the farmers chiefly, but along with them consumers who had to absorb the high costs of transportation and production, and taxpayers who are making up the billion dollar deficit incurred during governmental operation. Now it looks as though the owners of the railways were to succeed the farmers as the goats of inequality.

"The correction of these economic weaknesses is a government job. And this is another condition that is hampering the railways. The government has really taken over the regulation of both railway income and labor costs. But one governmental body, the Interstate Commerce Commission, controls tariffs, and another and entirely independent one—the Railway Labor Board—regulates the cost of producing transportation. The former may reduce railway income at the same time that the latter is increasing railway costs. The two functions should be centralized in one responsible body. If they are not there can never be proper co-ordination of railway income and railway outgo. A railway budget becomes a joke under such circumstances.

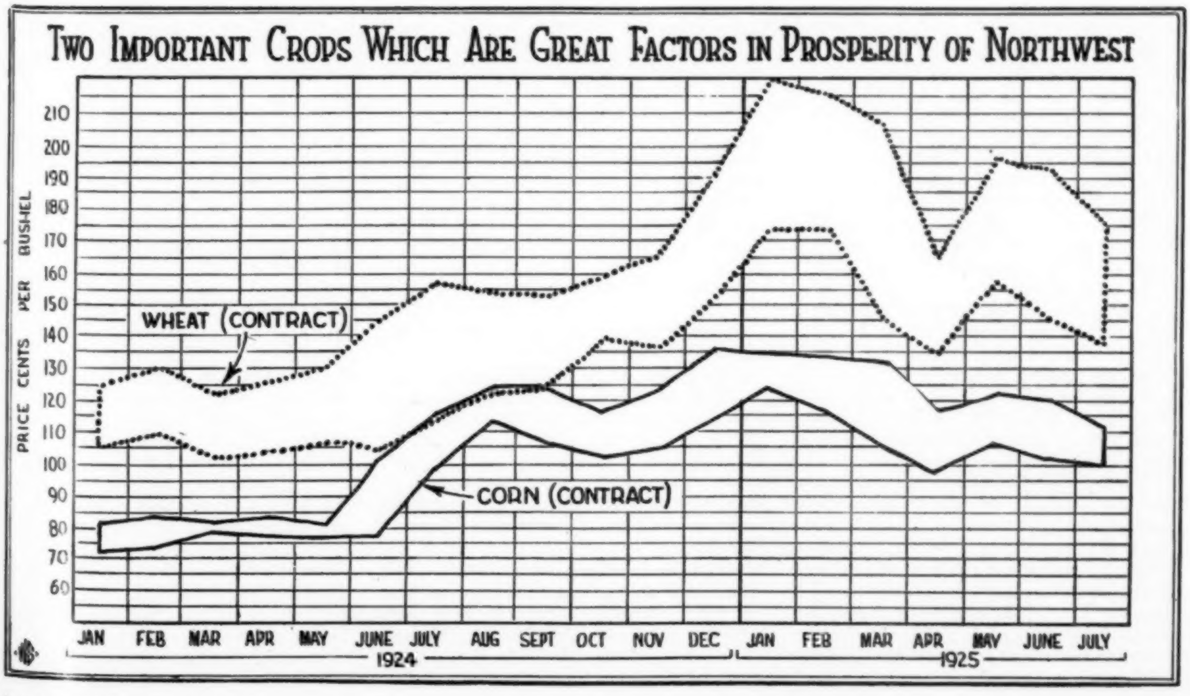
"This unbusinesslike form of governmental control of the railways has been particularly hard on the western railways. While their outgo for labor, materials, taxes, equipment and financing has been increasing on a par with that of eastern railroads, their rates have been increased since the beginning of the war only about half as much. That is because their traffic is so largely in agricultural products, and the rate making authorities wisely put the burden of increases on other commodities.

"At the same time the western railways have had to face the ever increasing competition of the Panama Canal, without being able to shape their tariffs to meet it.

"These are conditions that explain the unsatisfactory condition of many of our western roads and the comparatively poor showings of others after prodigies of economy and efficiency.

"It will take more than concentration of rate making and wage regulation in one body to remedy this situation. The consolidation of the railways should be along lines of latitude, in addition to the compact regional groups which are generally proposed. To meet an unavoidable dilemma of high tonnage rates in the East and low tonnage rates in the West our railroads should be continentalized.

"Transportation is the very life of a long-distance regionally specialized and therefore regionally inter-dependent country like ours. It enters controllingly into every other industry. We may have good crops, our manufactures may be abundant, our politics sound, our public administration efficient and economical, but so long as transportation is weak we shall all limp. The next big piece of nationally constructive legislation from the point of view of internal prosperity is a rational revision of public control of the railways so that what we provide for them with one hand we do not take away with the other. And in the consolidation of our railway systems—which now seems to be accepted national policy after having been held back for twenty-five or thirty years after Hill and Harriman visioned it—we must remember that we are a continental nation, composed of parts, each of which is indispensable to the others and the whole. Therefore, let the consolidations be by latitudinal zones on broad national lines as well as by local provinces. Transportation is a national function and should be so in organization as well as in public regulation."



Branch Offices of New York Stock Exchange Firms vs. Correspondents

Their Service and Responsibility Compared

This article is part of a series covering various phases of dealings in securities. Earlier articles discussed the functions of the Floor Trader, The Specialist and The Odd Lot House. Subsequent articles will describe the activities of Wire Houses, Bond Specialists, and dealers in Putts and Calls.

SO many people seem to lack an understanding of the difference between dealing with the branch office of a New York Stock Exchange house and a local house which is a correspondent of a New York Stock Exchange firm that we believe our readers would appreciate some information on this point.

There are two main questions: (1) matters relating to service, and (2) questions of responsibility.

In the line of service there is very little difference between that rendered by a branch office and a correspondent, assuming, of course, that both are located in a distant city, and connected by private wire with their New York houses. The execution of an order to buy a hundred shares of stock can be accomplished in a very few minutes in either case. Other matters of service relate to prompt reports of orders that have been executed; speedy transfers of stock where certificates are required; a good line of information and gossip; sufficient wire service to enable orders and reports to flow to New York and back without interruption.

Responsibility of Stock Exchange Houses

In the matter of responsibility a person dealing with a branch office of a New York Stock Exchange house has, as a basis for confidence, the length of time the firm has been in business; character and integrity of its management; amount of its capital; its methods of doing business. One knows that the New York Stock Exchange requires periodical reports in reply to questionnaires, and that, even according to the still somewhat imperfect methods of supervising these brokerage houses, he is better off on the average with such a control.

In dealing with what are known as correspondents, a client is in a somewhat different position. All the above requirements—capital, years in business, management, integrity, and financial responsibility must be weighed, but if the firm is not a member of the New York Stock Exchange it is not subject to the same kind of supervision. It is independent and in a position to conduct its business in any way that it desires.

The fact that this firm has a wire connection with a New York Stock Exchange house, adds to its prestige but does not increase its financial responsibility. The Stock Exchange looks upon the out-of-town firm as a client which gathers business from various local sources and transmits it to the New York house for execution on the Stock Exchange. It may also deal in local securities; be a member of a minor stock exchange; deal in cotton, grain and other commodities. But we are referring chiefly to its relation to and comparison with the branch office.

Some Large Correspondents

Some firms in large cities around the country have a larger amount of capital than some of the smaller New York Stock Exchange houses, and thus, assuming equal management, are entitled to high standing in the eyes of their clients. There are out of town firms, too, which do business on comparatively small amounts of capital. Margins received from their clients are transmitted to the New York Stock Exchange firm whose wire enters their office, and very close tab must be kept on these margins in order to keep their account good with the New York house.

In view of the above it is the business of the client to ascertain, before he opens an account, whether the local correspondent is sufficiently responsible, the character of its members and their ability to conduct affairs so as to warrant his confidence. The fact that such a firm represents itself to be "Correspondents of Blank & Co., Members of the New York Stock Exchange" does not add to its financial responsibility. The Stock Exchange firm cannot have any financial interest in its affairs. It stands solely upon its own feet, and in case of its failure the clients cannot look for any financial assistance from the Stock Exchange house.

In doing business with a branch office of a New York Stock Exchange house the client is in a different position. All of the New York firm's resources are back of the orders accepted and executed through the branch office. All accounts opened have the same standing as if they were opened with the New York house direct.

Branch Offices Increasing

Those familiar with the branch office situation of ten or twenty years ago will readily observe that the tendency of Stock Exchange firms is to increase the number of their branch offices. Some of these, it is true, are only seasonal; that is, a branch might be opened in Saratoga during the season, and another one in Miami during the winter, which would give the firm the appearance of having a larger number of these than is actually the case. Many firms open these branches during a season of two or three months in a certain resort in order to accommodate some of their important clients who are apt to visit that locality. A firm may have a half dozen of these, and only one or two or perhaps no other branch offices that are open the year round.

Generally speaking a firm would prefer to have a strong correspondent in a city than its own branch office, for the reason that the correspondent gathers business from that locality and transmits it for execution by the New York house just as if it all came from one client, which of course is true, the client being the firm in question. The New York house thus looks to the out-of-town concern for the necessary amount of margin, and instead of dealing with several hundred individuals in that neighborhood it is dealing with

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BRANCHES OF NEW YORK STOCK EXCHANGE FIRMS IN THE UNITED STATES AND CANADA

NOTE: ● DENOTES CITIES WITH BRANCHES OF N.Y. STOCK EXCHANGE FIRMS. NAMES OF CITIES NOT GIVEN WHERE LACK OF SPACE PREVENTS

Cities over 30,000 not having N. Y. S. E. firm offices
(excluding cities part of metropolitan area larger cities)

Amsterdam, N. Y.
Beaumont, Tex.
Chester, Pa.
Chicopee, Mass.
Columbus, Ga.
Council Bluffs, Ia.
El Paso, Tex.
Fitchburg, Mass.
Fort Worth, Tex.
Fresno, Calif.
Green Bay, Wis.
Hamilton, Ohio
Holyoke, Mass.
Huntington, W. Va.
Joliet, Ill.
Kenosha, Wis.
Knoxville, Tenn.
Kokomo, Ind.
La Crosse, Wis.
Lakewood, O.
Lawrence, Mass.
Lewiston, Me.
Lorain, O.
McKeesport, Pa.
Macon, Ga.
Madison, Wis.
Meriden, Conn.
Rockford, Ill.
Mobile, Ala.
Moline, Ill.
Montgomery, Ala.
Muskegon, Mich.
New Brunswick, N. J.
Norristown, Pa.
Ogden, Utah
Pensacola, Fla.
Pontiac, Mich.
Portsmouth, O.
Pueblo, Col.
Racine, Wis.
Roanoke, Va.
Rock Island, Ill.
Sacramento, Calif.
Saginaw, Mich.
Salt Lake City, Utah
Sheboygan, Wis.
Springfield, Mo.
Springfield, O.
Stockton, Calif.
Superior, Wis.
Taunton, Mass.
Terre Haute, Ind.
Topeka, Kan.
Wichita Falls, Tex.
Woonsocket, R. I.

States with no N. Y. S. E. firm offices

Idaho, Wyoming, Nevada, Utah, Arizona, New Mexico, North Dakota, South Dakota, Vermont

States with firms in one city only

Montana, Oregon, Wisconsin, Mississippi, Delaware, New Hampshire

States with firms in two cities only

Colorado, Nebraska, Louisiana, Alabama, Maryland, Rhode Island, Maine

Can the Federal Reserve System Prevent Financial Crises?

Pros and Cons As Seen by Three Experts

Interviewed by J. M. HEAD

FEW subjects relating to finance have engaged more attention than the question of the power of the Federal Reserve System to prevent financial panics of the type which occurred prior to its creation in 1913. The subject has vast practical as well as theoretical implications since it is one in which all investors and business men are necessarily interested. For the purpose of enlightening our readers on the more fundamental phases of this question we requested three nationally known experts to give us their conclusions. We believe their views will be examined with the greatest interest.

CAN a money panic occur under the Federal Reserve System?

Is it possible for conditions to arise under which the provisions of the Federal Reserve Law will prove inadequate to prevent the recurrence of a money stringency such as generally was regarded as inevitable before the present banking law was passed?

Is the Federal Reserve Act fool-proof—that is, are the mechanics of the law so nearly automatically operative that even official incompetency cannot serve to render them nugatory?

I asked these questions of two bankers and one expert on banking laws and economics. The answers of the bankers, while varying somewhat, were substantially of the same purport. A money panic could not happen; there was no supposable condition where the law would prove unequal to the task of barring a currency stringency, and the act was as nearly fool-proof as any law could be made.

The expert, on the other hand, held that while the law might prevent a technical money panic it could not operate and had not operated to prevent bank failures, and that banks operating within the system were not exempt; that bank failures meant commercial failures, and that only in so far as they were localized, instead of being widespread was there much difference in substance between such failures and those which formerly had been brought about by a money stringency. The system he said guards against unreasoning fear or lack of confidence but does not correct results of bad banking.

Percy H. Johnston, of the Chemical National Bank, one of the younger bank executives, who in a few years has risen from the position of a teller to be the head of one of New York's largest banks, distinguishes between a money panic and a business depression.

"When you ask me if we ever can have a money panic under the Federal Reserve System," Mr. Johnston said, "you are propounding a query which cannot be answered by a simple 'yes' or 'no'. The subject is too broad and has too many ramifications.

"In the world's economy it is possible that something may occur for which we never have had a precedent—something against which foresight never has taught us to guard. In view of this possibility it would be foolhardy to claim that our banking system would bar disaster of any conceivable financial sort.

"I will say this, however: I cannot conceive of a situation arising out of any economic or financial phase, hypothetically possible under our present mode of life and civilization, in which the Federal Reserve System would not ward off a money disaster.

"Please note that I refer to a money panic and not to a business depression. The distinction is clear, though sometimes not very apparent. We have had periods of industrial inactivity and periods of money stringency, at different times. One is not necessarily dependent on the other. In 1907, for example, we had a currency stringency. In 1920-21 we had a business depression. The causes were not the same and the immediate effects were widely different—yet each, for a time affected the economic life of the nation.

"The chief reason why money panics occur, in a country where the currency is not debased, is that the medium of exchange is inelastic in volume. It is obvious that a fixed, unchangeable amount of currency does not respond to changing needs. At one time there may be a plethora of money because a great volume is not needed for slackened business, while at another time, industrial activity may be such that business requires a much larger sum. Unless, therefore, you can have a currency that will expand when trade requires it, and can be contracted in volume when trade needs are fewer, you cannot have a really scientific monetary system.

"It was the effort to create a system that would do this that caused our bankers, financiers and statesmen to labor for so many years to evolve a currency plan—a labor which culminated in the law known as the Federal Reserve Act.

"The strength of this Act lies in its rediscount privilege, based upon actual commercial transactions. The law provided liquid assets where formerly banks had non-liquid assets, which at times became 'frozen' and could not be immediately realized on.

"Formerly there was no general reservoir to which banks could go for currency. They might loan money to their customers on notes or paper

"If it (the Federal Reserve System) is properly administered, I can see no reasons why its provisions are not ample to prevent money panics." — John McHugh, Pres. Mechanics & Metals Nat'l Bank.

and then be forced to hold them until maturity. Hence, banks were chary about making loans if there were the slightest sign of dull business, and by their very reluctance to lend they aggravated the condition. The result was, eventually and inevitably, a money stringency or panic. Now, knowing that if they lend on commercial paper they can immediately rediscount such paper, if necessary, with their Federal Reserve Bank, and obtain currency, they no longer are hesitant. They lend freely on rediscountable paper.

"Federal Reserve notes are issued to the banks against the paper discounted. No more can be issued than the paper calls for, hence there is a check against over-supply. Being based upon actual business being done, the currency so issued is absolutely sound."

"I cannot conceive of a situation arising out of any economic or financial phase—in which the Federal Reserve System would not ward off a money disaster."—Percy H. Johnston, Pres. Chemical Nat'l Bank.

"But, back of all this, Mr. Johnston," I suggested, "is a certain gold reserve. Suppose that all of our gold were to be drained out of this country by European demand. Would we not then be in a condition where a money stringency would follow?"

"Theoretically, perhaps, this might occur. Actually it is impossible. If we can conceive of a time when we shall become a debtor nation, we should yet have the safeguards of an embargo or a changing of the discount rate by the Federal Reserve banks."

"But this presupposes action by the Reserve Board or the Federal Reserve banks," was suggested. "Assume that the Board would fail to act. What would happen?"

"We are a nation of laws," Mr. Johnston quickly replied, "but the laws always have to be administered by men. I presume if we had sets of dummies on the Board and in the directorates of the twelve Federal Reserve banks, something terrible might happen. But so long as the Board and the directorates are composed of men of ordinary intelligence—they don't even have to be banking experts—our reserves should be safe from depletion. Such a situation as suggested would be analogous to the officers of a bank sitting idly by and allowing a party of strangers to come in and carry off all the bank's money. In such an event the bank would fail, no matter how strong it might be financially.

"The Federal Reserve System mechanically provides every safeguard against money panics. The plans, the rules, the methods are all laid down, mapped out. If they are adhered to I cannot see how there can be failure. A universal cataclysm might upset all our calculations. But I believe only such a thing as that could render the system impotent to function."

John McHugh, president of the Mechanics and Metals National Bank, was in substantial agreement with Mr. Johnston on the ability of the mechanism of the Federal Reserve System to prevent future money panics.

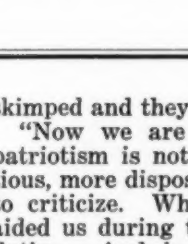
"The best answer I can give to your question," he observed, "is that the system stood the test during the most trying period—the World War. It helped us to finance the war, and never was there even the slightest suggestion of money stringency."

"Could there be a greater test than that to which the system was put during the war?" Mr. McHugh was asked.

"Yes, there could—the test through which it is going now—the test of peace time. Here the Federal Reserve law still has to demonstrate its efficacy. I believe it will. I see nothing that can cause it to fail. But it will be a much severer test than that offered by the war.

"During the war, patriotism was aroused to the highest pitch. Incredibly vast sums of money, such as we never had dreamed of before, were raised by government loan drives. People, inspired by their love of country, bought and cooperated till it hurt. They skimped and they sacrificed to finance the struggle.

"Now we are at peace. The inspiration of patriotism is not present. People are more cautious, more disposed to think of self, more inclined to criticize. While the Federal Reserve System aided us during the war, it could not prevent inflation. And in the process of deflation which followed, necessarily and inevitably, those who



"More national banks failed last year than in any recent years . . . there have been some 80 national bank failures in 1925—one for nearly every other working day."—H. Parker Willis, Former Sec'y Federal Reserve Board.

were hard hit were inclined to lay the blame on the Federal Reserve Board. From this deflation the country has not yet entirely recovered. Business is good, but there are weak spots here and there. Suggestions of political tampering with the system are being made all of the time. This interest or that interest must be served.

"Therein lies a danger. The Federal Reserve System as at present constituted seems about as nearly perfect as a national banking system can be made. Our task is to keep it so. If it is properly administered, I can see no reason why its provisions are not ample to prevent money panics.

The next issue will contain, in its industrial section, in addition to other matter of unusual interest, two striking features. The first is a comprehensive review of the textile situation as affecting New England stocks, including the more important of those listed on the N. Y. Stock Exchange. The second is a complete list of the more attractive listed low-priced stocks, dividend and non-dividend paying.

"Would you say that an incompetent Reserve Board would make possible a currency disaster?"

"No, I don't believe I would go even that far. The Reserve Act may not be absolutely fool-proof —no law can be—but it does provide a safe and sure way, and in the event of an utterly incompetent administration of the law I feel that public opinion would soon prove strong enough to compel the placing of the administration in the hands of men of proper ability."

I asked Mr. McHugh the same question regarding the depletion of our gold supply, through European withdrawals, that I had asked Mr. Johnston. The reply was strikingly similar to that of the other banker, so much so that I could not but feel that it was the crystallized belief of the entire banking world.

"What's the use of talking of something that never can happen in your time or mine?" he asked. "Europe owes us too many billions to enable her to draw away our gold. It would not be a bad thing if she could get more of it—it would stabilize the world currency. Possibly it is imaginable that if all our gold went to Europe we would be worried. But even in that event we should not necessarily have a panic. We were alone in remaining on a gold standard during the war and subsequently. Great Britain's reserve, France's reserve dropped very low. They had inflation and depression and still have. But neither have had what we might call a money panic.

"The Federal Reserve System was created for the purpose of establishing a central banking point instead of some 30,000 banks all working more or less independently. It has accomplished its purpose and provided a means of enabling banks to get money when they need it. That's about all any banking system can do. I frankly believe if let alone the system will effectually prevent any money panic. But men are men and if they change and emasculate the law we may eventually have a different Reserve System which may not prove so efficacious."

H. Parker Willis, economist, banking expert, first secretary of the Federal Reserve Board immediately after its organization in 1914, does not hold to the view that panics cannot occur under the system.

"If you draw a strict line between money panics due to fear, which sweep the whole country and those which occur in localities you would probably be correct in saying that there could not be a panic under the system," he answered my question. "But fine distinctions don't alter conditions. I cannot see that the effect on the community is much different whether you have a series of failures or a money panic. What good does it do to tell a man who is dying of typhoid fever that vaccination is supposed to be an almost infallible preventive of smallpox?

"I do not criticize the Federal Reserve System, because it has proven its value to the country. But it hasn't checked bank failures or commercial failures. We have had more bank failures in the past few years than we had in any similar period in the old days."

"Were these national banks—banks in the System?"

"National banks? Certainly. More national banks failed last year than in any recent years. In all 753 banks failed—two a day for the year—and a large number were member banks. Failures are still going on at a high rate.

"This is not a good or healthful condition. It's a danger to banking life that does not exist elsewhere. Bank failures mean commercial failures and banks should not be permitted to fail."

I asked Mr. Willis how he would prevent this.

"By beginning at the source of the evil. This is the ease with which any group of men with the limited capital required, can start a bank. Qualifications, ability, knowledge of the business, ample resources—none of these things is required under our method of banking and the Federal Reserve System does nothing to remedy the condition. This of course is not *due* to the Federal Reserve System —it exists *in spite* of it, showing that the system is not the great cure-all, the panacea for all financial and industrial sickness with which we may be afflicted.

"Some of our eminent financiers seem to have made a fetish out of the Federal Reserve Law. It is the beginning and the end of all things financial. It is the armor against all possible attack from any business trouble—financial or industrial. Its provisions must not be questioned. In fact anything that tends to show that our banking status might be improved is decidedly unpopular.

"The Federal Reserve System is admirable so far as it goes. But when banks within that system are failing at the rate of one every other day something is wrong. And when this is happening in times that are generally regarded as good from a business viewpoint, what might happen if we had a period of wide-spread industrial depression—which even bankers admit we still can have—and bank failures became more general? It might not be a money panic. Call it what you will, however, it would be a condition calculated to cause as much worry and trouble as any financial disaster we ever have had."

THE TREND IN LEADING INDUSTRIES

	SUPPLY OF BASIC ELEMENTS				COST OF PRODUCTION				DEMAND			OUTPUT		PRICES		PROFITS
	Labor	Raw Materials	Fuel	Transportation	Labor	Materials	Fuel	Transportation	Unfilled Orders	Stocks on Hand	Shipments	Raw Products	Finished Products	Raw Products	Finished Products	Of Leading Companies
STEEL	Ample	Ample	Ample	Adequate Cars	Slight Down Trend	Stabilizing at Bottom	Slightly Firmer	No Change	Still Declining, But at Smaller Rate	Not Large	Slight Increase	Slight Increase	Slight Increase	Firmer	Still at Bottom	3d Quarter Smaller 4th Better
COAL	Ample	Ample	—	Adequate Cars	Strike Threat	Stabilizing at Bottom	—	No Change	Slight Increase	Fairly Large	Slight Increase	Slight Increase	—	Slightly Firmer	—	Very Poor
BUILDING	Ample	Ample	Ample	Adequate Cars	Very High Increasing	Quite High	Slightly Firmer	No Change	Tapering Off	—	—	—	Very High Construction	—	Very High	Satisfactory
OIL	Ample	Ample	—	Adequate Tankers, Pipe Lines, etc.	Slightly Lower	Lower	—	No Change	Still Increasing	Increasing	Increasing	Increasing	Increasing	Lower	Lower	Good, But Will Decline
COPPER	Ample	Ample	Ample	Adequate	Unchanged	Lower	Slightly Firmer	No Change	Slight Increase	Larger	Increasing	Increasing	Increasing	Firmer	Unchanged	Improving
CHEMICALS ...	Ample	Ample	Ample	Adequate	Unchanged	Lower	Slightly Firmer	No Change	Slight Increase	Not Large	Increasing	Increasing	Increasing	Firmer	Firmer	Increasing
TEXTILES	Ample	Ample	Ample	Adequate	Still Declining	Lower	Slightly Firmer	No Change	Ragged	Not Large	Slight Increase	Fairly Large Cotton and Wool	Slight Increase	Cotton Lower Wool Still Unchanged	No Change	Still Poor
AUTOMOBILES	Ample	Ample	Ample	Adequate	At Peak	Lower	Slightly Firmer	No Change	Declining	Not Large	Declining	—	Declining	—	Declining	Very Good, But Will Decline
TIRES	Ample	Short Crude Rubber	Ample	Adequate	Lower	Decline in Crude Started	Slightly Firmer	No Change	Declining	Not Large	Declining	British Restriction	Slight Decline	Declining	Higher	Very Good, But Will Decline
LEATHER	Ample	Ample	Ample	Adequate	Unchanged	Slightly Higher Hides	Slightly Firmer	No Change	Increasing	Not Large	Increasing	Decline	Increase Shoes	Higher	Probably Higher	Starting to Improve
PAPER	Ample	Ample	Ample	Adequate	Unchanged	Slight Decline	Slightly Firmer	No Change	Increasing	Not Large	Increasing	—	Increase in Newsprint	—	Unchanged	Fair
TOBACCO	Ample	Ample	Ample	Adequate	Unchanged	Unchanged	Slightly Firmer	No Change	Increasing	Not Large	Increasing	—	Increasing	—	Unchanged	Very Good

Is England Swinging to State Socialism?

Crisis in England Reached—What Will It Lead To?—Effect on United States

By ARCHER GIBSON

ENGLAND is but the shadow of her former self. Of that great state which at one time was the economic head and front of the world, there is today left a weakened community, confronted witn terrific problems, for none of which does there seem to be remedy that may not be worse than the disease!

It is hard for Americans to imagine this. Even at the end of the World War, it was still believed here that England would soon recover and that amid the turmoil of Europe she was the one state that most closely resembled the United States in economic position. It is not too much to say that her present condition has given rise to more misgivings than are felt concerning France or Germany. It is impossible for those who have not studied it to realize how far mighty England has fallen from her high estate.

What was classic England? In banking she was the centre of the world. The London discount market was the freest and the most extensively used. Her discounting supremacy was tied up with a shipping supremacy, based on cheap coal. She was the insurance centre of the globe. The furniture of a laborer in a Pittsburg tenement was usually insured in Liverpool or London. But more than that, the profits accruing to her were such that she had available for reinvestment abroad, a sum that ultimately made her foreign commitments twenty billion dollars! The shipping dues, the discounting profits, the other banking profits, the insurance premiums, the interest on her investments abroad, all made up what is called the invisible balance. The London money rate was the world money rate. The first inquiry in brokerage houses in Berlin, Paris, New York or Tokio would be "How's London this morning." Whether in rubber, wool, wheat, cotton, tin, coal, her market set the pace; the rest fell into step.

With this central position there went a robust chain of ideas. England felt itself unique. It was the only free country. Let alone the rights of the individual under Anglo-Saxon law, they felt that they were less of a mob than Americans or Europeans, that their individuality was more sacred. They were a free trade country. They boasted that no artificial prop was given their commerce. Everyone was free to sell in their market, and beat them if you could! They suspected state interference or regulation. From Mill and Cobden they had inherited the belief that the state could never regulate economic activities with the same efficiency with which free competition could. True there was a party opposed to this belief. There were the protectionists led by Chamberlain, the Socialists by Hardie. But the liberal tradition was so dominant that it infected even these opponents. There were of course blotches in this perfect picture. The governments of the crown colonies and of India were not according to this perfect pattern. There was a great deal of municipal ownership and regulation—far more than in the United States. Above all there were the old-age pensions, and the first National health acts. The thinking Englishmen were divided on State action.

England's Former Advantage

What most Englishmen had forgotten was that what Cobden and Mill took for a natural law was a temporary economic situation. At the end of the Napoleonic wars, Europe lay exhausted from the military struggles. But in England the Industrial Revolution had taken place, and she was producing goods by machinery at the cheapest prices yet encountered. Her victories under Nelson had made her mistress of the seas and blockaded Europe. And just at this time there took place the greatest colonial development since the Ancient world. The Americans were spreading over their continent, the South Americans were establishing new states intent on advance. South Africa and Australia were being opened up, and savages and barbarians were everywhere yielding to the European yoke. Was there ever such a perfect situation?

No competition in selling manufactured goods, unlimited new markets, and cheap imports of raw materials from new continents! This led to free trade, cheap food, cheap production costs, more supremacy. Not until America developed her manufactures on a grand scale, and Germany turned her trained scientific intelligence to industry instead of to philosophy, did she face serious competition. From that point on her relative position kept on declining, but she had secured so much that first place seemed assuredly hers.

Now what has the war left? In the first place it has changed the balance of trade. In 1913, England imported $790,000,000 more than she exported but her invisible balance was $1,695,000,000, so that her final favorable balance was $905,000,000. But 1923 was the last year to show a net favorable balance of importance, about $510,000,000. In 1924, it had sunk to $150,000,000 and in 1925 *has been wiped out.* In six months she has imported more than her exports by $1,035,000,000. Worse still, her imports of manufactured goods have increased by $170,000,000 or 25% more than the first six months of 1924, whereas her exports of finished goods have scarcely increased at all.

It is true that England has the same percentage of world trade she had in 1913, but the total trade is far less in *physical volume,* hence there is widespread unemployment. This is the gravest of all her troubles.

With the question of trade balance is tied up that of reinvestment. In 1913, England invested abroad her balance of $900,000,000 and the $850,000,000 of domestic savings. In 1925 she has nothing to invest abroad. Her government denies that they are living off their reserves, or as we say, off their own fat, but it is hard to see what else they are doing. They admit that not enough is saved at home to meet whatever external loans are coming into the market, or in other words the money they are loaning out is borrowed money. As the years go by and less and less money comes in from abroad, on invisible balance, and if the unfavorable balance of imports continues, they face a situation increasingly serious.

But England, while it earns *nothing* on balance has heavy fixed charges. Her deadweight net debt is about $37,500,000,000 or over $4,000 per family, and of this $5,500,000,000 is external. The debt service costs about $1,500,000,000 per annum or about $170 per family per annum. To meet this and the other costs of government taxes are welted out of the middle and upper classes. They pay $1,650,000,000 in income and profits tax, $100,000,000 in corporation profits tax, $250,000,000 in

death duties, and $75,000,000 in motor vehicles tax. They pay much else but this is fundamental. The local rates that total $800,000,000 are principally their contribution. The workers *receive* old-age pensions, the bulk of the war pensions and allowances, the health insurance, the Labor and Unemployment insurance, and the demobilization credits, in all about $650,000,000. Both classes are in misery, the middle classes who are mulcted and the poor because after all they get only charity.

Tremendous Income Tax

The income tax (normal) is 22½%, and no one pays who has less than $1,250 per annum. Practically the entire working class is excluded. A man earning $5,000 a year in England, married, with one child, pays about $850 a year in income tax. In America he would pay at the most about $50. The super taxes on smaller incomes, added to the crushing normal tax, are fearfully high. The employed persons must further contribute their share of unemployment, old age and health benefits, as the government bears only part of the expense. There is an abatement on all earnings. And the net result? The unemployed receive at the *best* for married men about 18/ a week or $4.38. It is doubtful, too, whether the cost of living is not higher in London than in New York.

Unemployment rose from 3% in 1920 to 15% in 1923, and has since hovered about that percentage. It is universally admitted that 10% of the population must remain *permanently* unemployed. Hence the search for heroic measures.

The system of doles needed to relieve unemployment has of course serious moral drawbacks, but unless an alternative is brought about, there can be no escape from it. You cannot have two million men, involving perhaps five million people, on the verge of starvation and have an ordered society. There is an alternative, and it involves a principle dear to the Tories who now govern England.

The Tories went into office tacitly admitting that they would not seek to put over protection. There is still an overwhelming prejudice in favor of free trade. In order to convert the mass of the people to protection, it would be necessary to counteract the Free Trade slogan that Protection means dear food. It seems now that the protective system will begin not so much by the imposition of higher custom duties as by industrial subsidies to industries that are depressed. The coal strike settlement was, in a sense, a surrender to Socialism, but in another sense it was a "cute" move on the part of the Tories, as the principle of subsidies to a basic industry has been established and the wedge entered for protection. But how are the workers to acquiesce in this program?

Subsidizing the Working Classes

It is now understood that Premier Baldwin intends to purchase the basic foodstuffs for the nation and sell food at cost. No more important decision has been reached in modern history. This is state socialism in the only proper sense of the term. That England, the classic land of Freedom, should come to this is amazing. Yet it is known that this is under serious consideration, and if it is feasible, as a business proposition, it will be introduced. Agents are already in the United States studying the grain and the meat situation. The Government has voted $10,000 a week for propaganda in favor of colonial foods, indicating that this socialist food system will be correlated with the protectionist dream—imperial preference.

It is expected that with cheap food the unemployment doles can be reduced. With cheap food the cost of production of commodities can be reduced and England enabled to compete abroad. England will be protected against "dumping." The protectionists will make money on their investments in the protected industries, and everyone will benefit.

Such is the Tory idea. Will it work? The Free Traders are up in arms. They point out that protection costs somebody money, since if it does not raise prices, where is the protection? They maintain that it will make a nation of paupers, and gain no markets. Exports depend on imports, and to restrict one is to restrict the other. But when they are asked what they would do, their answer is "patience." They point out that 1925 is abnormal because of the reimposition of the gold standard, and that European markets have not yet recovered from the war. Their remedy is the League of Nations,

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In the insert—Stanley Baldwin, Prime Minister of England

A recent labor demonstration in London which has had a great many of these lately. Labor in England is becoming more and more restive

"How to Finance and Build Your Business"

A Department of Inspiration and Practical Suggestion, written by Business Leaders for Business Men

How To Keep Your Business In Liquid Condition

Receivables as an Index of Financial Health

By MAHLON D. MILLER

Manager, New Business Dept., Lake Shore Trust & Savings Bank, Chicago, Ill.

THE Business Service Department was launched in response to insistent demand from our subscribers whose confidence we appreciate. This organization is in a unique position to analyze the methods of leading companies and their management since investigation into the position of securities first demands careful study of management method, financing, markets, sales and other important factors on which business depends. We are glad to turn this information over to our thousands of business-men readers for their use in their every-day business affairs. Each article of this series has been written by an acknowledged authority on the subject. We invite a careful reading of the Department and shall be glad to answer questions on the various subjects discussed.

WITH the development of corporation finance, and the ever-increasing complexity of our financial structure, business dealings become more impersonal.

Two score years ago merchants were in close personal contact with their customers. They knew the amount of their approximate income, and how they spent it, knew their customer's friends, and their most intimate family affairs.

Today, with corporations doing a national or international business, it is impossible to maintain, to the same extent, the old relationships, and the banker and merchant, in extending credit, look more and more into the financial statement as a means of gauging a man's credit.

The time proven financial ratio of quick assets to current liabilities of two for one, while it might be considered as fundamental, depending upon the circumstances of the case, has come today, to have a keener significance. This is particularly so when the matter of investigation is carried further into the financial statement by means of analysis for the purpose of ascertaining more accurately the true financial condition of the company seeking credit accommodations.

It is the purpose of this article to discuss how the nature of *accounts receivable* reflect the financial condition of a concern through their relations to merchandise and sales, and other important items on the statement; also to point out some of the factors which enter into the condition of receivables, as revealed in the financial statement, as seen by the banker and the merchant.

From a banking angle, accounts receivable are of primary significance. Not infrequently, they serve as a "shock absorber" between the assets and the debts, and when it is found that the receivables are not as good as expected, then the banker is in for a hard fall.

Considered as a barometer, receivables indicate the flux or flow of a business. If a graph or chart is made of them so that they may be compared monthly, or yearly, interesting sidelights on a concern's financial condition are revealed. If these figures are taken advantage of by the merchant, they should help him to steer a sound financial course; and if heeded by the wide-awake banker should help him to come to an accurate conclusion in his opinion of the company as a financial risk.

Analysis of Accounts Receivable

Accounts receivable may be considered from several angles: as bills or notes receivable and long or short-term open accounts.

Let us take first for discussion receivables appearing on the statement in the form of notes.

While in many lines of business notes are taken for goods sold, bankers look into items appearing on the books, particularly, if in large amounts, to ascertain whether or not the policy or type of business warrants the acceptance of notes; and whether or not the notes represent fresh receivables, or are a mere cloak to conceal the weak debtor's slow payments.

The banker wants to know if the notes are past due or not; whether taken in consideration of a disputed claim, in settlement of an old account, in whole or in part.

Financial interests find from experience that an abundance of notes in the statement may often indicate a weak or changing sales policy.

The writer has in mind a fairly prosperous company which had to take long-term notes from a municipality in payment of work done. The cost of carrying the notes became so costly, tied up so much working capital, and proved so unsatisfactory that it was forced to liquidate its contracting business.

The fact that the acceptance of notes, for say three or four months, reduces the number of times a concern's capital can be turned in a year, consequently cuts down the profits to be made.

How about discounting notes receivable at the bank, you ask? Well, bankers are certainly justified in helping the worthy merchant in turning his capital by accepting good notes for dis-

count, especially if they are rated in Dun's or Bradstreets'.

In this connection, however, the writer has observed cases in which a company short of working capital has become embarrassed through having its contingent liabilities (Notes discounted at the bank) turn into direct obligations through non-payment, and resulting in a bad financial situation, after the company has temporarily eased its financial situation through the co-operation of a bank. It is for this reason that the conservative banker or merchant looks well into the condition of the company expected to pay the note, this particularly, if the customer asking for the discount reveals a statement short of working capital.

Now, let us take for consideration the analysis of receivables, from the point of view of maturity. What the maturity of a receivable is depends upon the sales policy of the particular concern.

Certainly, from a banking angle 2% ten days, 30 days net, is more advantageous than 60 to 90 days, as the shorter the terms, the less capital there is tied up, and the nearer approximation there is to the cash basis, the more liquid the business is apt to be.

Following upon the last deflation period, when collections were universally slow, the writer recalls an interview with a large coal operator. It seems that scores of carloads of coal had been sold to some large railroad companies, but the long terms of sale, and the renewal or extension of time which had to be temporarily granted, caused the mine operator a shortage of cash which made it extremely difficult for him to meet his weekly payroll.

Again, in some clothing lines, such as millinery, while goods are presumed to be sold on 30-day terms, the money often does not come in for 60-90 or more days. Consequently the proprietors are at a loss to know, at times what action to take. They appreciate the fact that undue pressure in credits often causes the loss of substantial customers, who are slow to pay up. Business men must continue to cultivate good-will, sometimes at a loss.

Bankers have not infrequently found that stores doing an open account business, must have much more capital to operate when collections are slow, than is generally appreciated by those who are new to enter the field.

It is but natural that the quick turn over, and short terms of sale, have also an advantage, in that the proprietor has an opportunity to rebuild his stock frequently from the open market, and by so doing takes advantage of ever changing market rates. If the terms of sale make possible only a turn-over of twice a year, it would be expected that a serious drop in the market would make it impossible for a recovery for the current season; and thus it is that the bankers are interested in encouraging short-term sales as far as possible, making for a more liquid statement, and quicker return on the invested capital.

Safety in Numbers

Most interesting is an analysis of the receivables in a statement from the point of view of size and number.

While it might be said that to have a few large customers is an advantage, from the point of view of operation, still there is truth in the old axiom that there is safety in numbers.

The writer recently had an incident brought to his attention of a large eastern manufacturing concern which had employed a middle western firm to handle its advertising. However, a change in policy made it advisable to switch agencies, and as a result, the firm losing the business had to practically liquidate.

Washing Machine Company

Financial Position

Quick Assets	$78.666
Current Liabilities	34.443
Ratio Q. A. to Liabilities	1.3 to 1
Surplus Quick Assets	$44,223
Other Assets	
Total Assets Less Current Liabilities	48,277
Less Mortgages and Reserves	
Net Worth	48.277
Capital—Preferred	50,000
Capital—Common	
	1,722
Total Sales	
Loss	1,722
Dividends Paid	
Charged off, depreciation and bad debts	
Carried to Surplus	
QUICK ASSETS	
Cash on hand and in bank	1,759
Notes Receivable	38,723
Trade or Bank Acceptances	
Accounts Receivable	21,642
Mdse. finished	16,542
Mdse. unfinished	
Raw Material	
Listed Stocks and Bonds	
OTHER ASSETS	
Real Est. Plant, etc.	
Machinery and Tools	4,054
Goodwill, Patents, Patterns, etc	
Due from Officers, etc	
Unlisted Stocks and Bonds	
Deferred Charges	
CURRENT LIABILITIES	
Notes Payable (unsecured)	6,600
Trade or Bank Acceptances	
Accounts Payable	7,207
Individual's Deposits	
Contingent Liability Accounts Receivable Pledged	20,636
OTHER LIABILITIES	
Mortgages	
Reserve Accounts	

Here we have receivables which are largely in the form of notes from customers. Investigation showed a shrinkage in net worth for the past year of $1,814.38, which, coupled with the fact that collections are not what they would be if normal, would indicate that some of the receivables are slow, and that the customer's paper will have to be renewed in whole or in part by the merchant.

A low current ratio of quick assets to liabilities indicates a shortage of working capital which might result in financial difficulties. It is for this reason that the freshness of receivables is of primary importance to the banker and merchant.

Bankers have cases of this kind come up so often that they welcome a statement which has a good distribution of moderate sized customers.

While the paper work incident to handling the very small orders, involving but a few dollars, is costly, there is also revealed a certain evenness in operation which tends towards more stable conditions. But even the small mail order business reflects collection situations, on the one hand, while a few very substantial customers, on the other, might not feel a temporary credit situation; this might prove, in turn, an advantage.

"All that glitters isn't gold," and all receivables set forth in a financial statement may not be the equivalent of gold. Bankers have learned in the "University of Hard Knocks" that a statement may have a bounteous array of accounts receivable, but if at maturity only a small portion of them come in, and the current ratio of assets to liabilities is low, financial embarrassment not infrequently results, with consequent loss in credit standing to the concern through its inability to pay its obligations when they fall due.

Value of Reserves for Bad Debts

Reduced to a last analysis, there are only two kinds of receivables: Good or Bad. There are relatively few companies doing a large volume of business that find all their accounts good, and it is for this reason that the banker looks with favor upon a statement in which the customer has set up a reserve for bad accounts.

A short time ago the writer called upon a large paint concern. When the question of receivables came up, and the president was asked how he found collections, he said:

"Whenever we have an account more than thirty days past due, we write it off the books." "Why is that?" I asked. "We do not wish to deceive ourselves," was the reply. "While we collect over 98% of all our accounts," he continued, "we, at the same time, do not wish to budget our future business operations on a basis which would include past due accounts."

Again and again, bankers have found that in periods of "tight money," spotted business conditions, slow collections, an investigation of the receivables on a statement will indicate a slowing up process, which, if there be a shortage of working capital, may result in a serious financial difficulty.

"Just what should one list on the statement as an account receivable?" you ask. The answer to this is—goods which have been sold unconditionally.

If merchandise is sent out on approval, loaned, etc., surely these items should be kept separate on the books. Still, occasionally the banker finds a consigned piece of furniture,

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Railroads

What the Northwestern Roads Would Earn If Freight Rates Were Increased

Outlook for These Carriers Swiftly Grows Brighter

By J. A. POLLOCK, Jr.

Table I—What the Northwestern Roads Would Earn Under Proposed Increases in Freight Rates

	Earnings	Actual 1924	With 5% Increase	With Pooled Increase —Potter Plan—	With 11% Increase
Chicago, Burlington & Quincy	Times Interest	3.53	4.23	3.80	5.06
	Per Share Common	$12.82	$16.32	$14.18	$20.53
Chi. Milwaukee & St. Paul	Times Interest	0.92	1.21	1.43	1.56
	Per Share Preferred	nil	$ 3.70	$ 7.57	$ 9.91
	Per Share Common	nil	nil	0.56	2.87
Chicago & North Western	Times Interest	1.62	2.04	2.06	2.55
	Per Share Preferred	$ 7.00	$10.00	$10.00	$11.37
	Per Share Common	4.20	7.31	7.47	11.37
Chi., St. Paul, Mil. & Omaha	Times Interest	1.40	1.80	1.71	2.25
	Per Share Preferred	$ 7.00	$ 7.00	$ 7.00	$10.86
	Per Share Common	1.34	6.73	5.64	10.86
Great Northern...............	Times Interest	2.04	2.30	2.20	2.60
	Per Share Preferred	$ 7.19	$ 8.92	$ 8.24	$10.99
Northern Pacific.............	Times Interest	2.08	2.32	2.48	2.63
	Per Share Common	$ 6.44	$ 7.92	$ 8.84	$ 9.70

It is peculiar to commentaries on economic and financial misfortunes to hazard the opinion that matters can get no worse,—that the turn in affairs must be at hand. Too frequently, these seemingly lightly considered beliefs are confounded by matters going from bad to worse. It requires, nevertheless, a considerable stretch of the imagination to adduce anything of a fundamental character which can be added to the present ills of the railroads of the Northwest. For nearly a decade the credit of this once prosperous group of carriers has been on the decline.

There is little doubt, however, that this particular cycle has come to its low point with the collapse of the great Chicago, Milwaukee & St. Paul Railroad. The same failure compelled affirmative action looking towards the relief and rehabilitation of the earning power of these systems. These relate to a revision of the rate structure, and are embraced in the Interstate Commerce Commission's announced determination to conduct a nation-wide investigation of rates in conformity with the Hoch-Smith resolution, the application of the Western carriers for prior and separate consideration, and the so-called Potter Pooling Plan.

The principles involved in rate making are clearly defined. The charges levied by public utilities are subject to the limitation of a fair charge. Likewise, as superfluously accorded in the Transportation Act, they are entitled to a fair return on the investment. The former recognizes a long established principle of common law; the latter is a constitutional guarantee. Congress empowers the Interstate Commerce Commission to regulate rates, which shall be such as to yield a fair return upon the value of the property devoted to transportation, and which for the time being may be considered to be 5¾%. As shown in the joint petition of the 64 Western carriers, in no year since the passage of the Transportation Act has this result been even approximated:

Year	*United States*	*Western District*
1921	..... 2.91%	3.12%
1922	..... 3.60%	3.45%
1923	..... 4.48%	3.96%
1924	..... 4.33%	3.87%

Certain not fully determined considerations can slightly alter the value of these exhibits, but no amount of discussion can alter the fundamental equities of the case. Variations in the character of traffic and in the rates upon different commodities have contributed to a highly divergent return within Western territory itself. Thus in 1924 the carriers of the Northwestern region earned a return of 3.12% against 4.21% for those of the Central West and 4.34% for those of the Southwest. Attention is also directed to inequalities in the increases accorded to the three major districts. Thus revenues per unit of transportation were in 1924 for the whole United States 50% above the 1911 base, for the Eastern District 76%, the Southern District 36%, and the Western District 28%.

Interstate Commerce Commission and Higher Rates

The Interstate Commerce Commission, therefore, except by disregarding the Constitution and disregarding its instructions from Congress, appears to have little choice in the matter. This

prospect of higher rates, makes it pertinent to examine, for the benefit of those who may be interested, the results to be obtained by the larger Northwestern lines under various contingencies.

Two definite proposals have been formulated. The combined Western carriers have jointly petitioned for an 11% increase in freight rates. The solution propounded by Mark W. Potter, receiver of the St. Paul and recently Interstate Commerce Commissioner, is more complicated. Mr. Potter takes the position that conditions in the West will not at this time permit of more than a 5% increase, that this will be insufficient to save the weaker lines and that some other expedient must be found.

Accordingly, it is proposed to increase the level of rates by 5%, the resulting increment of revenues to be pooled and redistributed among the carriers in the proportion that each road's failure to earn a fair return bears to the failure of the group to so earn a fair return. Space is not here afforded to discuss this ingenious plan to the extent that it merits, nor to point out the many practical drawbacks inherent in its operation. Suffice it to say that the most serious objections so far adduced state first that it is socialistic, secondly, or collaterally, it results in placing a premium on inefficiency, and lastly, as a compulsory measure it is illegal. The writer is not lacking in conviction on these points. The proposal is to be condemned on all grounds.

Naturally, the commission's views on the rate question are undisclosed. It is not, however, illogical to anticipate in the final result a compromise of the various viewpoints. This might well result in a straight 5% increase, or greater and lesser increases on different commodities yielding in the average 5%. Accordingly, there is given herewith the results actually obtained by the larger Northwestern railroads in 1924, and the hypothetical results which may be predicated upon a straight 5% increase, a pooled 5% increase, and a straight 11% increase of freight rates. Table I works out the effect upon the securities and Table II summarizes the dollar results.

A study of the figures reveals a surprising statistical improvement resulting from a relatively small increase in rates. The Potter plan, while bringing increased revenues to all six roads, would, as compared with a straight increase, be favorable to St. Paul, Northern Pacific, and Northwestern and unfavorable to the Burlington, the Omaha and the Great Northern. Here we have an immediate apparent instance of unfairness in the pooling plan. The Omaha is the smallest and, excluding St. Paul, the least robust, say, of these six lines. Yet it in effect must give up a portion of its gain to swell the total of the relatively strong Northern Pacific. It may be pertinently mentioned that St. Paul gains more under the arrangement than any other carrier, and more with a single exception by several millions of dollars. This may to some degree account for the lack of support accorded the plan by other lines, although it is to be hoped, as is undoubtedly the case, that the omission is founded upon a clear vision of the issues at stake and refusal to surrender principle to the expediency of the moment.

In addition to the direct gains from rate increases to the various companies it should be noted that Great Northern and Northern Pacific, as joint owners, are indirect beneficiaries in Burlington's added earning power, while Chicago Northwestern in the same way benefits in the improved position of its subsidiary, the Omaha.

Effect on Various Roads

Previous reference has been made to the loss of credit of these carriers. In a strict use of the term, that is the capacity to borrow, neither the Hill lines nor the Northwest-Omaha alliance have been without credit. On the contrary they have been entirely capable of borrowing at reasonable rates upon any occasion. The answer of course lies in the exceedingly sound capital structures of these concerns, both in respect of earning power and the proportion of funded debt to capital stock. For instance, both Northern Pacific and Great Northern have in each year since Federal control earned their present 5% dividend and while the margin may have been slim, the difference between earning $5 a share on their approximately $250,000,000 of stock and not earning interest charges, is in each instance something over $12,000,000. In the broader sense of popularity with investors, however, and more particularly in the ability to finance through sale of stock, their credit has certainly suffered a severe decline.

St. Paul's position, of course, involves a different consideration. Lack of credit forced its receivership; reorganization will restore its credit. The plan, it will be recalled, calls for substitution of approximately one-half of the company's fixed interest bearing debt for bonds whose interest will be contingent upon earnings. Likewise, fixed interest requirements will be cut about in half and the showing in the appended tables, which for comparative purposes has been continued on the old basis, improved to a corresponding extent.

(*Please turn to page* 850)

Table II—Revenues of Northwestern Roads as Affected by Proposed Freight Rate Increases

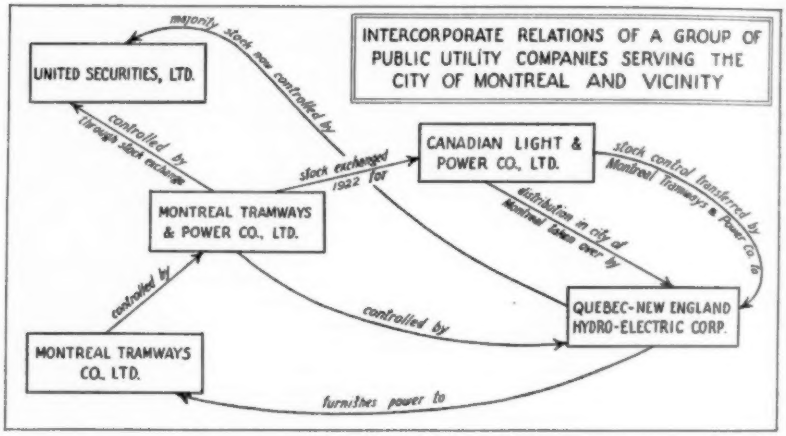
Road	Freight Rev. 1924 Actual	Increment from 5% Inc.	Increment from Pooled Increase —Potter Plan—	Increment from 11% In.
Chicago, Burlington & Quincy	$119,773,873	$5,988,694	$2,319,080	$13,175,126
Chicago, Milwaukee & St. Paul	120,070,603	6,003,530	10,493,423	13,207,766
Chicago & North Western	103,516,754	5,175,838	5,411,185	11,386,843
Chicago, St. Paul, Mil. & Omaha	20,019,002	1,000,950	797,697	2,202,090
Great Northern	86,144,671	4,307,234	2,606,908	9,475,914
Northern Pacific	73,422,540	3,671,127	5,945,724	8,076,479
	Net Ry. Op. Income 1924 Actual	Plus 5% Increase	Plus Pooled Increase	Plus 11% Increase
Chicago, Burlington & Quincy	28,742,112	34,730,806	31,061,192	41,917,238
Chicago, Mil. & St. Paul	18,972,106	24,975,636	29,465,529	32,179,872
Chicago & North Western	16,784,051	21,959,889	22,195,236	28,170,894
Chicago, St. Paul, Mil. & Omaha	3,408,989	4,409,939	4,206,686	5,611,079
Great Northern	24,201,287	28,508,521	26,808,195	33,677,201
Northern Pacific	19,861,077	23,532,204	25,806,801	27,937,826

Public Utilities

Are Public Utility Holding Company Stocks Too High?

Their Position from the Investment Viewpoint

By MAX GOLDSTEIN



THE stocks of electric power and light holding companies have had an amazingly Cinderella-like career. For years they were neglected by the general public, except for here and there a particularly long-sighted investor or a specialist, while their industry kept doubling its gross revenues each five years. In the last two or three years, however, talk of "giant systems," "superpower," and the like has struck the public imagination, many stocks have doubled and tripled in value, and the question for the investor is now: are these stocks overvalued as they once were undervalued?

Southeastern Power and Light common, for instance, was selling at 52½ in February—in July it touched 159. In the same period Adirondack Power and Light jumped from 33 to 100, National Power and Light from 184½ to 354, General Gas and Electric convertible preferred from 80 to 260, and a number of equally startling advances can be cited, as in the accompanying table. Most interesting of all, from a practical standpoint, the present prices of these stocks are in every case only a few points off from the high of the year.

This whole interesting group of companies is distinguished by two things: in the first place, they are holding companies, that is, they do not own physical property themselves, but derive their income mainly from the ownership of stocks in companies (directly or through intermediary holding companies), which are engaged in the business of producing and distributing electricity. In the second place, their total outstanding common stocks bear only a small proportion to the total amount of securities in the hands of the public representing such properties.

Both these factors have played their part in the tremendous advances in these stocks. It has been stated above that the gross income of the electric power and light industry has doubled every five years. The efficiency of the industry has increased still faster. Thirty years ago a generating unit of over 100 kilowatt capacity was a rarity; today turbines of 60,000 and 80,000-kilowatt capacity are being built, with a tremendous reduction in cost per kilowatt-hour. Rates have gone down, broadening the market for electricity, particularly as almost every other item of living or manufacturing cost has gone up, but generating and distributing costs have gone down still faster.

Growth in Consumption

In 1892 the Commonwealth Edison Co., which supplies current to the city of Chicago and neighboring territory, and has always been one of the most efficiently-operated properties in the industry, obtained 1½ million kilowatt-hours annually from each million dollars of its investment; today it obtains 15 million kw.h. a year per million dollars.

Thirty years ago the small station could distribute current only within a radius of a few miles; today current is carried 700 miles across country on huge transmission cables at 100,000 volts or more and stepped down at sub-stations into lower voltages suitable for city distribution.

In the last ten years the population of the country has increased 15%, but the number of consumers of electricity has gone up 250%. The feeble carbon filament bulb of ancient days has been replaced by metal filament and gas-filled bulbs which give better light at a third or a fourth of the cost per candlepower, the electric range has been made practicable kitchen equipment, the electric refrigerator is coming into its own, and in countless ways each customer has been trained to use more and more electricity.

On the industrial side, huge industries such as the aluminum, electric steel, graphite, carborundum and carbide industries have been built up on the basis of cheap and abundant power, and the big electric companies have made it profitable for more and more industries to abandon their own power plant and get their supply from the big central stations. Being wholesale customers, their rate is much lower than that of household consumers, often only a third of the latter.

So much for the phenomenal growth of the industry. To account for the market situation of the stocks we are considering, we must also look at the effects of the holding company form of organization, which may now be said to dominate the field. According to a recent estimate, 135 holding companies in the United States had outstanding 41.3% of the total capitalization of the electric power and light industry and received 47.8% of its gross revenues. As more and more small companies are absorbed into large systems, these percentages may be expected to increase.

The holding company did not get a real foothold in America until New Jersey, the "Mother of Corporations," passed its famous permissive laws in

1888. At first it was confined to industrial companies and railroads, the Pennsylvania Railroad being the first modern holding company and the "trusts" such as the U. S. Steel Corporation, the American Sugar Refining Co., etc., its most famous representatives.

Holding Company Margins

Much has been said and written about the advantages and disadvantages of the holding company: that it makes it easier and cheaper to finance, that it can command a higher grade of administrative and engineering talent, and can make a more successful bid for public good-will than the small isolated company on the one hand, and that it tends to be over-centralized and impersonal, possibly neglectful of the interests of security-holders of the operating company on the other.

In any case, it is here to stay. What interests the investor more than any of the foregoing is that the common stock of a holding company bears somewhat the same relation to the entire property as a margin deposit does in the security market to the entire market value of a block of stock.

The theory of margin trading may be summed up in an example. Assume that 100 shares of U. S. Steel are bought at 115 on a ten-point margin, in other words, that $1,000 are used to control a purchase of $11,500. Then if Steel goes from 115 to 125, that is to say, an increase of 10% in the market price, the profit will be $1,000 on a margin of $1,000, or a profit on the margin of 100%.

Now take the case of a public utility, let us say, of the following financial structure:

5% Bonds	$5,000,000
6% Preferred Stock	3,000,000
Common Stock ($100 par) 20,000 shares or	2,000,000
Total Capitalization	$10,000,000

Let us say that the following represents its income statement for 1922:

Gross Revenue	$1,400,000
Operating expenses, depreciation, etc.	700,000
Net Income	700,000
Bond Interest	250,000
Preferred Dividends	180,000
Balance for Common or $13.50 a share.	$270,000

It will be noticed that the $700,000 of net income represents only 7% on the entire capitalization, that bond interest is earned 2 4/5 times over, and preferred dividends nearly twice over, while the common stock shows the excellent earnings of $13.50 per share.

Now let us make the reasonable assumption that to double its property, the company has had to double the amount of its outstanding bonds and preferred stock without issuing any additional common, and let us also assume that its gross and net have likewise doubled, a condition which has been equalled or bettered in practice by many companies. Then the financial set-up would be as follows:

5% Bonds	$10,000,000
6% Preferred Stock	6,000,000
Common Stock	2,000,000
Total	$18,000,000

A hypothetical earnings statement for, say, 1927 would then be:

Gross Revenue	$2,800,000
Operating Expenses, depreciation, etc.	1,400,000
Net Income	1,400,000
Bond Interest	500,000
Preferred Dividends	360,000
Balance for Common or $27 a share.	$540,000

It will be clear that the earnings per share of common will be bigger the more its property is increased through the issue of preferred stock and bonds preceding it, in the same way as profits are proportionately bigger in a speculative transaction the smaller the margin.

Now a holding company is a device whereby a small amount of capital can control a much bigger amount through ownership of securities. Take the hypothetical $10,000,000 corporation just described, and call it the X Y Z Company. Suppose that the XYZ Corporation (*Please turn to page* 862)

Table I—Utility Stocks as "Margins"

How the Future Has Been Discounted

(All figures as of end of 1924)

Stock	Recent price	Div'd rate	Yield	Earned per share 1924	Amount outstanding	Other capitalization of holding co.	Other securities of system in hands of public
So'eastern Pwr. & Light	31*	..	..	$0.60	*1,700,000 shs	$23,605,400	$72,487,816
National Pwr. & Light	333	$6.00	1.80%	16.18	122,078 shs	12,393,100	109,185,538**
Amer. Light & Traction	213	7.00	3.29	16.01	318,937 shs of $100 par	14,236,200	158,670,000‡
Amer. Gas & Electric	78	1.00a	1.29	4.33	1,235,966 shs	62,122,050	132,480,000‡
Middle West Utilities	106	5.00	4.72	14.43	202,050 shs	50,800,620	198,536,000‡

*After impending split-up @ 5 for 1. **Including common stocks of subsidiaries at book values. a With extras in stock. ‡Necessarily incomplete; minimum figures.

Table II—Neglect and Splendor

Price Range Since 1917 of Ten Holding Company Common Stocks

Stock	1917 H	1917 L	1918 H	1918 L	1919 H	1919 L	1920 H	1920 L	1921 H	1921 L	1922 H	1922 L	1923 H	1923 L	1924 H	1924 L	1925 H	1925 L	Recent Price
American Gas & Electric	146	87	98	bid	120	bid	92	bid	124	95½	185	143	237½	155*	650*	217½	421¼*	340	390*
National Power & Light	..	..	..	..	..	..	..	..	..	..	39	25	60½	30	204	72½	354	184½	333
General Gas & Electric	1	bid	..	..	4	bid	2	asked	1	bid	3½	bid	16¼	4½	80	15	250**	200	220**
Georgia Light, Pwr. & R'ys	..	..	..	..	..	..	..	..	..	..	..	..	14½	5	39¼	11⅞	77½	31¾	67½
Carolina Power & Light	25	bid	33	bid	32	bid	25	bid	31	bid	60	bid	78	63	340	82½	445	300	400
Appalachian Power	2½	bid	2½	bid	3	bid	2	bid	4½	bid	32	5½	40	28	93	65	81	73	78
Middle West Utilities	64	22½	23	bid	40	20	22	11	24	15½	53¾	20	53	36⅝	93	50	124¾	82½	106
Lehigh Power Securities	..	..	..	..	..	..	..	..	..	..	20¼	15¼	30½	17¾	117	33	160	82	140
United Light & Railways	50¼	24	38	bid	30	bid	16	bid	35	25	73	29	165	71	170	135	680‡	222½	667½*
Western Power Corp	9	bid	13¼	10¼	24½	16½	22	17	30½	20	42¼	16	30	26¾	46	23½	70¾	30	56

*Based on old stock, split 5 for 1 in 1923. **Based on exchange of 4 new shares for 1 old. ‡Based on exchange for United Light & Power @ 1 to 5.

Bonds

The Outlook for Bond Values

Influence of Rising Commodity Prices on Bonds Likely to Be Negative—Money Outlook

The bond market is at such an interesting point that complete analysis of the situation has become necessary. This article goes into the fundamental aspects of the broad questions affecting bond values. It ought to be examined carefully by all investors holding bonds.

THERE has been free prophecy all through Wall Street that we have witnessed the highest prices for bonds, and that beginning with this Fall they will decline further and further. In point of fact, the average price of bonds is already a trifle over one point less than it was in June, and in August the tendency to a recession in price has not been checked. To the pessimists this is the beginning of a long story of decline. They look to increased money rates permanently, and therefore to higher bond yields. Higher bond yields mean lower bond prices.

There is no question that the average price of bonds attained this summer was the highest since 1917. It is not far from being the highest in a generation. The average price of selected bonds this May was 85.10, and it is the culmination of an upward movement from the low price of 65.57 in May, 1919. Bond prices tended downwards, on an average from 1902 to 1921, and since then have gone sharply upwards. Hence there can be no question that bond prices have been abnormally high.

The Money Rate

There is a distinct relation between bond yields and the money rate. This is easy to see for it is obvious that money will not flow into bond investments, which have a fixed rate of return, unless that return is at least as attractive as other similar investments or commitments. For example, a high-grade $1,000 bond with a 5% coupon will have to sell for $900 when equally attractive commitments are yielding 5.50%. Now money rates have been low. Rates on prime banker's acceptances have hovered near 3.20% lately, whereas in 1923 they were well above 4%. In 1919 they rose even beyond 5%. On the other hand, it is true that in 1924 they were at one time as low as 2.06%. As for call money that is today hovering between 4 and 4¼% against 5% two years ago, and every one remembers the hectic days of 1919 and 1920 when 25% and 30% rates were not exceptional.

Commodity prices and bond prices also bear a relationship. It is obvious that when the price of goods is low, the holder of a bond with a fixed rate of return can purchase more with his interest than he can buy when commodity prices are high. Hence a period of high commodity prices is one of low bond prices and a period of low prices is one of high bond prices. Since 1920, at least down to the Spring of 1924 the index number of commodity prices showed a pretty consistent decline, and this was undoubtedly the prime reason for the rising price of bonds.

There has been a pronounced reversal of both money and commodity price tendencies. The most commonly cited index number of commodity prices shows a 7% increase since last May and a 13% increase over August, 1924. Prices of commodities are not only rising but we seem to be definitely in for a period in which they will continue their gains. The price index of commodities is now at its high point since the Fall of 1920 and when we remember that the price of bonds has risen coincidentally with the fall in this index number, there can be little reasonable doubt that a continued tendency to higher prices indicates a continued tendency to a recession in bond prices.

The price of money is more complicated. Money rates are undoubtedly somewhat higher than they have been for some time. But of course there is always a heavy seasonal demand for credit at about this time, and this is always a purely temporary phase. The price of bonds seldom reacts to this seasonal pressure on the money market, as all trained observers know that a long-term yield can not be affected by merely a monthly variation.

The seasonal advance in rates on commercial paper is known to be about ¾ of 1% between July and October, for the very best quality, and ½% for ordinary accommodation. The rise in money rates this Summer has not as yet surpassed that rate of seasonal advance, and as yet gives no clear indication of going beyond it. Yet there is scarcely any student of the subject who does not believe that some permanently higher level will either be reached this Fall, or at the least is clearly indicated this Fall.

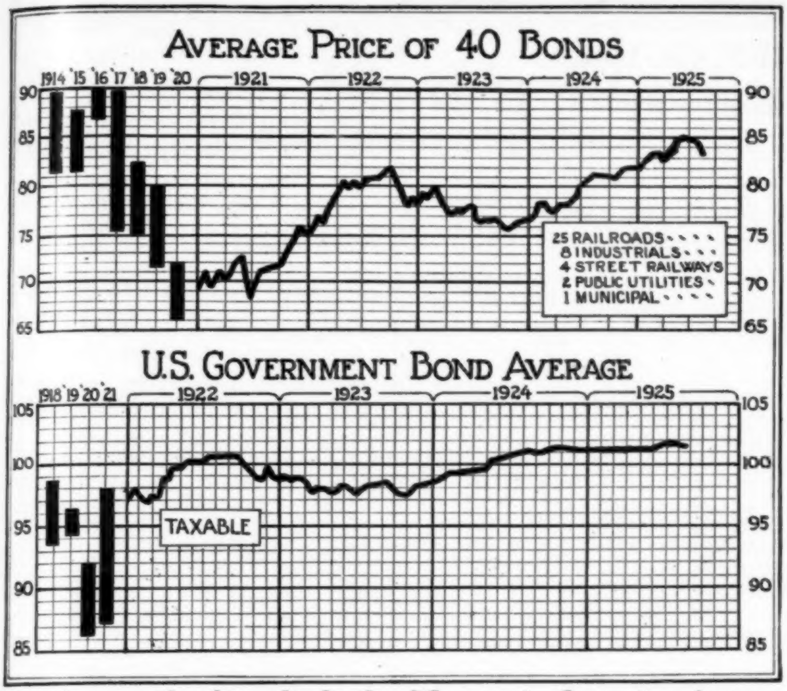
There are many reasons therefor. The first is that a period of rising prices is a period of increasingly active commercial operations, and that these operations require considerable new financing. It is also true that in a period of rising prices, business men who know that they can realize good profits do not hesitate to swing more and more business on borrowed money and are willing to pay more for the accommodation. This relation between rising commodity prices and rates of interest is a basic situation.

Brokers' Loans

There are other important factors. The increased need for commercial accommodation will compete with the needs of the stock market. Brokers' loans are now $2,000,000,000. Then the reduction of the British rediscount rate from 5% to 4½% will call back some of the $200,000,000 in American money that flowed into London this year. Let American rates go up even to their full seasonal expansion, and that money can do at least as well right here. It has been assumed therefore that the lowering of the British rediscount rate would act as a check on our own rate being advanced. But, as a counter-tendency, we must finance the Fall situation here, and it may be needful for the Federal Reserve Banks that maintain a 3½% rate to advance the rate in order to check the rather serious tendency to inflation that would result from the conjunction of rising prices and easy money.

Effect on Bonds

Bonds have already felt the effect of the reversal, for the first time in years, of the tendency of these basic influences which determine the price of



The above graphs show clearly the difference in fluctuations between Government bonds which are almost on a pure money rate basis and other high-grade bonds where money rate and other factors enter.

bonds. In July the decline was in excess of one point, and in August has already gone further by a quarter of a point, the decline totalling 1.35 points. This has been the case although the railroad bonds have, owing to special circumstances, resisted the brunt of this decline. In computing this figure, convertible bonds have been excluded as in a sense they are more than bonds. Naturally when there is a buoyant stock market, that part of their price which is made up of the option on stocks tends to be influenced by stock quotations. Bonds, of course, have responded quite differently to this general tendency. For example, municipals show a gain in yield of about .15%, whereas high-grade bonds generally have risen in yield, since May, by about .25%. On the other hand, the best railroad bonds are selling "as they were."

The most important question then is this: Granted that the price and money factors are unfavorable to bonds, have these not already discounted the future by their losses? Is there any certainty that they will go down still further?

The answer most assuredly is in the affirmative. There can be no question that this ¼% gain in yield, is far from measuring the combined pull of all the negative influences. There is every reason to believe that before the end of the year, the average yields of high-grade bonds will advance by at least another .25% and that the tendency will continue into next year. But all bonds will not be affected to the same extent; many will resist this change with much more success than others. There is a great opportunity for discrimination. There is more opportunity for discrimination, in that while the basic factors of prices and money rates determine bond yields, they do not do so in a simple, direct, easily traced manner. It is in these "wrinkles" that many bonds find temporary shelter.

One positive influence is always present. Bond prices decline as profits grow, hence equities and earnings back of the bonds grow. This checks the decline considerably.

It will be clear to all that the price of a bond is made up of many factors. First there is the pure market yield on money, and the safer a bond the more it approximates to this point. Then there is the question of maturity, of marketability, of redemption possibilities at a premium, of conversion into stock. etc. Every bond is a compound of some of these, and often of as many as a dozen other basic factors. A Liberty bond approximates closely to the pure money rate because there is no question as to safety, marketability or any other questions. On the other hand, take the Sao Paulo 8s maturing in 1936. They sell to yield 8%, about twice what Liberties yield. It is obvious that 4% of this yield and 4% only is considerably affected by the money market. The other 4% will move in accordance with other factors. Hence, an increasing average bond price may not affect Sao Paulo at all. In 1921 when money rates were high, these bonds sold to yield 8% and in 1925 when they have been low, they have sold to yield 8%. It does not follow that they will repeat this history, because the spread between the rising money rate and the other rates might remain constant, and so the yield go up to 9%, say.

A class of bonds that are not likely to be much affected by the money situation are those which are dependent very considerably for their quotations on the position of the issuing company in its own industry. For example Southern Railway obligations have improved with the improvement in the position of the company, and this influence has been so powerful that the quotations would inevitably have counteracted any general factors bearing on bond prices.

Certain clear conclusions emerge from this study. The first is that the declines in price will be proportionally greatest among the higher-grade bonds. The second is that these declines will be less than normal in the case of railroad bonds as better earnings and more equities make the intrinsic position of the bonds better. It is also true that newer offerings of bonds will suffer most considerably as they must immediately make their rate more attractive in order to be able to dispose of their holdings. Convertible bonds will resist the money and price situation only so long as the stock market remains constructive, but whenever a decline will set in, then that decline will be added to the decline in money rates, and the cumulative effect will be seen. Bonds that sell at tremendously high yield levels for a variety of reasons, will on the whole fare best, because full weight has already been given to all those phases that tend to make them undesirable, and the pure yield basis has largely been disregarded in such computations.

It will be noted that the general tendency of commodity prices is opposite to that of bond prices

BOND BUYERS' GUIDE

(Bonds listed in order of preference)

HIGH GRADE

(For Income Only)

Non-Callable Bonds:		Apx. Price	Apx. Yield	¶ Int. earned on entire funded debt
Great Northern Genl. 7s, 1936	(c)	109¾	5.75	2.85
Atlantic & Danville 1st 4s, 1948	(a)	78	5.70	....
Western Union Telegraph Co. 6½s, 1936	(a)	111	5.15	e 1.75
New York Edison Co. 6½s, 1941	(b)	113½	5.2	3.30
Chicago & Northwestern 7s, 1930	(b)	107	5.30	1.80
Delaware & Hudson 7s, 1930	(b)	108¾	5.05	2.10
New York Dock Co. 4s, 1951	(a)	79	5.5	2.70
Callable Bonds:				
Armour & Co. Real Estate 4½s, 1939	(a)	88¾	5.7	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953	(c)	99½	5.5	1.41

MIDDLE GRADE

(For Income and Profit)

Railroads:				
Cuba R. R. 1st 5s, 1952	(a)	87⅝	5.90	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	75¼	5.90	1.25
Western Pacific 1st 5s, 1946	(c)	93½	5.50	2.40
New York, Ontario & Western Rfd. 4s, 1992	(a)	69	5.80	2.00
Missouri Pacific 1st & Rfd. 6s, 1949	(b)	100	6.00	1.20
Baltimore & Ohio Convertible 4½s, 1933	(b)	92	5.75	1.35
Baltimore & Ohio Rfd. 5s, 1995	(b)	89½	5.60	1.35
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	92½	5.50	1.10
Boston & New York Air Line 4s, 1955	(a)	70	6.20	....
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	90	5.75	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	5.90	1.50
Rutland R. R. 1st 4½s, 1941	(a)	88	5.65	1.75
Industrials:				
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	104	6.00	2.20
Sinclair Pipe Line 5s, 1942	(b)	85½	6.40	g 2.50
Goodrich, B. F., Co., 1st 6½s, 1947	(b)	104¼	6.15	e 2.40
California Petroleum Corp. 6½s, 1933	(c)	103¾	5.90	4.80
International Paper Co. 6s, 1947	(a)	90	5.80	3.50
U. S. Rubber 5s, 1947	(c)	89	5.85	2.05
Bethlehem Steel Co. 5s, 1936	(a)	91	6.00	f 2.30
Armour & Co. of Del. 1st 5½s, 1943	(c)	93½	6.01	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	101	5.90	g 1.25
Union Bag & Paper Co. 6s, 1942	(b)	96½	6.35	f 4.40
Cuba Company 6s, 1935	(b)	93	7.00	e 7.00
Consolidation Coal Co. Rfd. 5s, 1950	(a)	83	6.30	2.00
Public Utilities:				
Manhattan Railway Cons. 4s, 1990	(a)	63	6.40	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	95⅝	5.65	2.40
Ohio Public Service 7s, 1947	(c)	110½	6.15	f 2.00
United Fuel Gas 6s, 1936	(b)	100½	6.00	e 7.00
Hudson & Manhattan Refunding 5s, 1957	(c)	90	5.70	2.60
American Gas & Electric 6s, 2014	(c)	97½	6.15	2.00
American Power & Light Deb. 6s, 2016	(c)	97¼	6.15	3.00
Kansas Gas & Electric 6s, 1952	(b)	101½	5.85	1.80
Commonwealth Power Corp. 6s, 1947	(c)	101½	5.90	4.50
Manitoba Power Company 7s, 1941	(c)	104	6.60	....
Market St. Ry. 7s, 1940	(b)	98½	7.20	2.30

SPECULATIVE

(For Income and Profit)

Railroads:				
Chesapeake & Ohio Conv. 5s, 1946	(b)	109	4.35	1.65
Erie Genl. Lien 4s, 1996	(b)	63	6.40	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	92	6.60	1.25
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	91	5.60	1.10
International Great Northern Adj. 6s, 1952	(c)	74	5.90	....
Chicago Great Western 1st 4s, 1959	(a)	64	6.70	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	65	6.70	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	87	6.40	....
Industrials:				
Pan Amer. Petroleum & Transport Conv. 6s, 1934	(c)	106	5.10	25.00
Cuba Cane Sugar 7s, 1930	(c)	96	7.95	2.15
International Mercantile Marine 6s, 1941	(b)	83	7.90	2.50
American Agricultural Chemical Co. 7½s, 1941	(b)	103½	7.10	....
Warner Sugar Refining Co. 1st 7s, 1941	(c)	94	7.65	....
Public Utilities:				
Empire Gas & Fuel 7½s, Series "A," 1937	(c)	104	7.00	3.30
Brooklyn-Manhattan Transit 6s, 1968	(c)	90	6.70	f 1.50
Chicago Railways 1st 5s, 1927	(a)	76½	16.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	76	6.85	2.00
Interboro Rapid Transit 5s, 1966	(a)	67½	7.60	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	56½	7.60	i 1.35

¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operation of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.

BONDS

CALL money rates displayed an easier tendency during the past two weeks, the renewal rate dropping to 4%, with accommodations obtainable at times on what is known in the outside market at fractionally lower rates, but time funds remained firm. The money market did not, however, exert any influence on bond prices. What trading was done in the gilt-edge investment division was on the basis of ruling quotations, with here and there fractional concessions, chief activity, as has been the case all along, being witnessed in middle grade issues. It is true that bonds like the Norfolk & Western convertible 6s and Chesapeake & Ohio convertible 5s enjoyed substantial advances, but this was due to the speculative situation inherent in the conversion privilege, the issues naturally following the advances in those stocks. In the junior rail list, strength continued to be displayed by the old favorites, such as the St. Louis-San Francisco adjustment mortgage and income 6s, Missouri, Kansas & Texas convertible 5s, which reached a new high above 92, Missouri Pacific general 4s, the Erie series "D" convertible 4s, Chicago Great Western first 4s, and bonds of that character.

Change in Bond Buyers' Guide

We have added to the Bond Buyers' Guide, the Cuba Company secured 6s, due in 1935, and the Consolidation Coal Company refunding 5s, of 1950. These bonds appear worth while on basis of present market levels. Cuba Company is a dominating factor in the business world in Cuba, controlling both railroads and sugar plantations, the collateral security behind the issue being 20 million dollars preferred stock of the Consolidated Railroads of Cuba, controlling a system aggregating about 1,000 miles of railway throughout the eastern half of the island. During the past three years the company has shown earnings of around seven times interest requirements. The Consolidation Coal Company is the largest miner and shipper of bituminous coal in the United States, operating in Pennsylvania, Maryland, West Virginia and Kentucky. The poor market for coal and unsatisfactory conditions in the industry have been reflected in the present low prices for the bonds, but this situation has resulted in an opportunity to obtain them on an attractive basis. The issue is well secured by assets greatly in excess of the value of the outstanding bonds, and, even with the troubles in the anthracite region, the outlook is that Consolidation Coal Company's earnings will show an improving tendency. Average earnings in normal coal markets have been a little over twice interest requirements and it is our judgment that the company will have no difficulty in caring for its interest needs in the future.

Outside of certain speculative issues, the bond market does not offer much incentive for investment at ruling quotations.

Industrials

Now Comes the Soft Drink Industry

Position and Prospects of the Leading Securities—Remarkable Rise in Soft Drink Shares

THE soft drink companies have had but one permanent representative on the leading securities markets during the past few years. It appears, however, that this comparative "old timer" has all along had relatives which have lately developed ambitions for a place among the market elite. Thus far, but two companies have come into prominence in this respect, although public interest in soft drink stocks is, apparently, on the increase.

Beverages of the non-alcoholic variety have long been one of the popular American habits, yet there is more than a suspicion that prohibition has given this industry considerable impetus. In the case of White Rock and Canada Dry, new merchandising policies may also be held partly accountable for rising volume of business.

It is worthy of note that the market valuation of all three companies whose stocks are herein discussed has materially increased since the original shares were offered to public participation. Coca-Cola common this year sold at seven times its 1920 low market price. Canada Dry, new stock, has lately touched quotations considerably more than double equivalent prices for the former Class B shares. White Rock, at one time last year, might have been purchased at one-fifth its present price.

A review of these companies, accordingly, seems to be in order at this time, mainly to determine whether the rise has been justified and what are the prospects for further enhancement.

Coca-Cola, probably the best known of the soft drink companies, originated in the South. Although Coca-Cola has existed as a corporate entity for a little less than six years, the company may trace its ancestors back to 1886.

The popularity of the beverage has spread to all parts of the United States. In 1921 operations were extended abroad by formation of the Coca-Cola Co. for France, which operates a bottling plant in Paris. The American tourist may now find his favorite soft drink "on tap" in many foreign countries.

Branch offices and manufacturing plants are maintained in seven other states besides the home establishment in Atlanta, Georgia. Sales offices and warehouses are distributed throughout the United States and, in addition, branches together with manufacturing facilities exist in Santiago and Havana, Cuba. A Canadian subsidiary has extensive ramifications in the Dominion.

Coca-Cola's capital structure is simple. It consists of 8.0 millions 7% cumulative preferred stock and 500,000 shares of no par common. Two million dollars of the original preferred stock were retired early this year. It is probable that, eventually, the entire issue will be called.

The character of operations is such that Coca-Cola requires a relatively small fixed investment in land, buildings, equipment, etc., in proportion to total capitalization. In fact, the actual asset value of the common stock was not greatly in excess of $3 a share, according to the 1924 balance sheet.

This fact should not be too greatly stressed, however. Under ordinary business conditions, Coca-Cola has shown high earning power based upon the demand for its product. This demand has been built up and stimulated by extensive advertising. Hence, while good will, formulas and trademarks are valued at 20.66 million dollars, this figure seems a justifiable capitalization of intangible, but none the less valuable, assets.

At odd times, the company has successfully foiled attempts of competitors to market substitutes. Counterfeits, sold under thinly disguised plays upon the Coca-Cola tradename, have likewise been brought to grief in the courts. Even granting the possibility of duplicates, it seems improbable that rival manufacturers will seriously disturb the company's business in view of its well established reputation.

On the score of financial position, the company is also well fortified. More than 6 million dollars has been turned back into the business during the last half-dozen years, after payment of preferred and common dividends. At the close of 1924, working capital stood at 4.43 million dollars, of which approximately 40% was cash.

The company's net profits, however, have shown considerable variation. Sugar, by all odds, is the most important ingredient in the raw materials

Statistical History of Coca-Cola

	Gallons of Syrup Sold	Gross Sales Dollars	Working Capital	Profit & Loss Surplus	Net Income	Div. on Com.	Price Range H	L
	In Millions							
1919	18.73	$24.29	$3.05	$4.99	$4.19	...	43	37
1920	18.66	32.34	0.87	5.66	2.14	2.00	40	18
1921	15.84	28.46	1.11	6.79	2.35	1.00	43	19
1922	15.44	21.05	4.07	5.56	6.27	4.50	82	41
1923	17.30	24.32	3.18	5.73	4.53	7.25	83	65
1924	17.49	25.44	4.43	7.17	5.70	7.00	83	61

Recent Price 142

White Rock Mineral Springs Co.
Record of Earnings

	Gross Revenues	Net Earnings	Earned per Share 1st Pfd.	2nd Pfd.	Common
*1921	...$1,870,453	$286,004	† $14.30	† 5.00	† 0.48
*1922	... 2,007,366	494,584	† 24.72	† 7.09	† 1.42
1923	... 2,619,351	776,180	38.81	12.73	2.55
1924	... 2,921,818	889,400	44.47	14.99	2.99

*Years ended June 30. †On basis of present capitalization.

composing Coca-Cola. Accordingly, net earnings are closely related to the state of affairs in the sugar industry.

Inventory losses and high sugar prices cut into profits during the deflation era, so that, in 1920 and 1921, net for the common stock was equivalent to but $2.88 and $3.29 a share respectively. In the next three years, earnings averaged $9.60 annually and in the first quarter of 1925 were $2.80 against $1.49 the year before. The low level of sugar prices and recent relatively stable markets in that commodity have, unquestionably, aided profits materially.

The common stock has lately advanced to a new record high at 146 in expectation of a stock split-up which would probably involve an increase in dividend payments. *The rise in Coca-Cola has removed the shares from bargain levels, however, so that commitments at the prevailing market price of 142 would seem to involve a considerable measure of speculative risk. Furthermore, there are prospects that sugar will be higher next year which would affect the company's earnings, to the extent to which sugar advanced.*

Though a sound investment issue, the prospect of retirement of the preferred stock at par removes this security from the field of prospective purchases, unless it can be bought below the redemption price. This latter seems an unlikely contingency.

"CANADA DRY" Canada Dry Ginger Ale, Inc., has risen from comparative obscurity in this country to a position of prominence in the soft drink industry within a short space of time. The business started in Canada thirty-five years ago as J. J. McLaughlin, Limited. In 1921, it made its debut in the United States.

Little headway seems to have been made prior to 1923 when, in the spring of that year, Canada Dry Ginger Ale, a New York Corporation, was formed to take over the domestic trade. With the application of aggressive merchandising policies, the business began to make rapid strides.

Changes in the corporate organization have been kaleidoscopic. Canada Dry Ginger Ale, Incorporated, a Virginia company, acquired the Canadian and New York corporation last year. Quite recently, the Virginia concern, in turn, gave way to a Delaware company of the same name. This transfer was effected through the exchange of four shares of stock in the new company for each share of Class A and B stocks in the older enterprise.

Canada Dry now has an authorized capitalization of 800,000 shares no par common stock, of which 428,000 shares are outstanding. Plant and properties, valued at $812,943 at the close of 1924, comprise the bottling plants of the original Canadian unit at Toronto and Edmonton, together with its 100 acre spring water property. A new plant was built at Hudson, N. Y., in 1923. These establishments bottle ginger ale under the tradename "Canada Dry." The company is understood to contemplate erection of an additional plant at Chicago.

Balance sheet as of December 31, 1924, showed working capital of $948,194 compared with $292,723 in the year previous. Ratio of current assets to current liabilities was better than 5⅛ to 1, denoting a sound financial condition. Recently, the company paid a balance of $72,000 due on account of an $80,000 mortgage incurred when the Hudson plant was built and is now free of funded debt.

Unfortunately, no data is available with respect to past earning power. However, net profits in the six months ended June 30, 1925, were equivalent to $1.42 a share on the basis of present capitalization. Dividends were inaugurated with the payment of 75 cents a share on the old Class A stock in August, 1924, and a like amount was paid to the Class B shareholders last April. Similar cash disbursements were declared in June together with extras of 50 cents a share.

Assuming a probable dividend of $1 a share for the new common stock, this security, selling around 41 on the New York Curb Market, would seem to be making allowance for future expansion in earnings to no small degree. Obviously, the issue cannot be recommended as an investment.

White Rock White Rock covers a considerably wider field than either of its sister companies. That is to say, its products are diversified, including "White Rock" water, sarsaparilla, ginger ale and root beer, "Still Rock" table water, and "Clysmic" water and ginger ale.

The business was founded in 1883, three years prior to the birth of Coca-Cola. The White Rock trademark was then first used and has come to be well known among soft drink fans. National Water Co. predecessor to White Rock, was formed in 1906. In 1914, the present title was adopted.

The company owns the White Rock and Still Rock Mineral Springs at Waukesha, Wisconsin, and the Clysmic Springs located in the same state. The business, properties and trademarks of the Sun Ray Beverage Co. were acquired in 1919, including the historic tunnel Sun Ray Spring at Ellenville, N. Y.

Several changes have been made in the capital structure since 1906 but, to make a long story short, White Rock now has 2.0 million dollars of first cumulative 7% preferred stock and 1.0 millions second, non-cumulative participating 5% preferred ahead of the 200,000 no par common shares. The junior issue is held in a voting trust which expires November 1, 1928.

Financial structure is exceptionally strong. The company has no funded or floating debt. As of March 31, 1925, current assets amounted to 1.46

(*Please turn to page* 859)

Canada Dry Ginger Ale, Inc.
Balance Sheet, Dec. 31, 1924

Fixed Assets		*Capital Liabilities*	
Plant & Properties	$812,943	Class A Stock	$1,664,000
Goodwill, etc.	395,048	Class B Stock	111,000
Miscellaneous	103,094	Purchase money mtge.	80,000
Current Assets		*Current Liabilities*	
Cash	$339,753	Notes & Accts. pay.	$129,990
Notes & Accts. receiv.	411,974	Misc. accruals	80,348
Inventories	406,805	*Surplus*	404,279
Total Assets	$2,469,617	Total Liab.	$2,469,617

Certain-teed Products Corporation

A Growing Industrial Company

Expansion in Earnings and Scope of Operations —Outlook for Common and Preferred Stocks

CERTAIN-TEED is one of those companies that may boast having carved a large place in the world from modest beginnings. Its predecessor, General Roofing Co., began operations at St. Louis twenty-one years ago with an initial investment of $20,000.

Gradually the business grew, pushed along by aggressive management and the judicious reinvestment of earnings. In these early years, General Roofing confined its sphere of activities to the manufacture of prepared roofings. Even today, the greater share of Certain-teed's sales arise from the manufacture and distribution of this class of material.

In the course of time, however, General Roofing gathered a number of established plants under its wing. After acquisition of still more properties in 1917, which materially broadened the scope of the company's business, the old concern terminated its career. The present Certain-teed Products Corporation fell heir to the greatly enlarged enterprise and under the same management has continued the policy of expansion.

Certain-teed now manufactures a great variety of products, related to the protection and furnishing of buildings of all sizes and types. These include asphalt shingles, building and insulating papers, paints, varnishes, enamels, and the like.

Manufacturing operations are carried on in sixteen plants well distributed over the country, the annual capacity being such that the company stands in the front rank of prepared roofing and building material producers. Sales are effected through approximately 75,000 independent dealers and distributors scattered throughout the United States. Recently, Certain-teed reorganized its sales and executive departments to prepare for the handling of foreign business on a larger scale.

An 8-million dollar issue of 6½% bonds was sold in April, 1923, to finance the absorption of the Cook Linoleum and Standard Inlaid Manufacturing companies, makers of Linoleum products, and the Acme Cement Plaster Co., a large producer of gypsum and gypsum plaster products. Part of this bond issue was also used to retire the balance of certain outstanding purchase money bonds. The latter had been isued in connection with the purchase in 1920 of Thomas Potter Sons & Co., Inc., manufacturers of linoleum, floor coverings, oil cloth, etc.

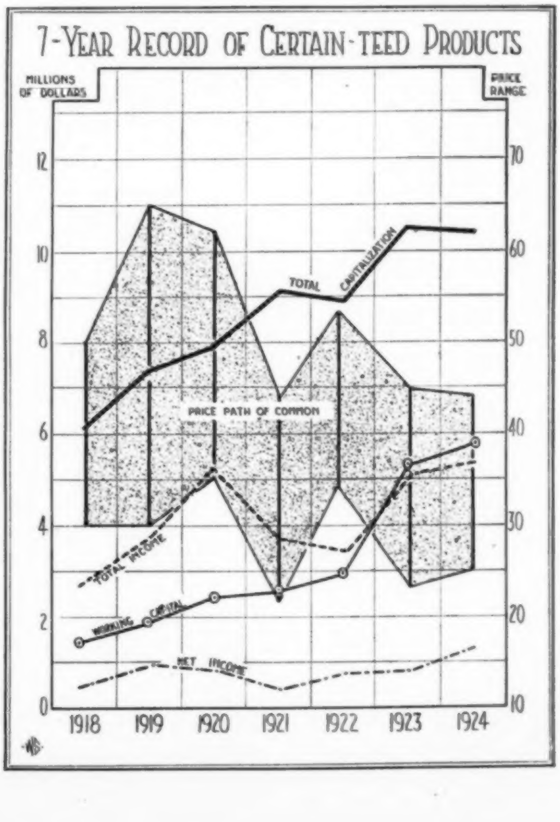
With the acquisition of the Cook, Standard and Acme properties, it was deemed advisable to reappraise Certain-teed's assets and adjust surplus account to reflect sound values. Although the company has annually expended large sums in advertising and building up good will, the latter item was, at this time, written down from 3.92 million dollars to one dollar.

The growth in assets is reflected in a comparison of the 3.31 million dollar valuation placed upon fixed investments as of December 31, 1918, and the 17.14 million dollars at which these items were carried in the balance sheet for June 30, 1925. Expansion in working capital has kept pace. Thus, while Certain-teed reported current assets 1.45 millions in excess of current liabilities at the close of 1918, at the end of last June this figure stood at 8.19 million dollars.

In addition to the present funded debt of 7.59 million dollars, the company has two classes of preferred stocks ahead of its 132,000 no par common shares. Of these, 4.49 millions are first 7% preferred and 2.67 millions second 7% preferred. Both senior issues are entitled to cumulative dividends. The first preferred shares are redeemable at $115 a share and the second preferred at $110. Dividends in both cases have been paid without a break since the present company was organized.

Common stockholders have not been so fortunate. A payment of $4 in 1917 was followed by two years in which no disbursements were made. A dividend of $5 a share was paid in 1920, after which followed four more lean years. Last July, dividends were resumed at the rate of $4 a share.

Though the company came through the dangerous deflation period with a loss of but $602 in 1921, after meeting its preferred dividends, past performance shows that its business is rather sensitive to industrial conditions. Net profits available for the common stock have fluctuated between a maximum of $12.44 a share in 1917 and a minimum of nothing in 1921. Last year, a balance of $6.65 a share was shown. For the first six months of 1925, net was equivalent to $5.71 a share on the common compared with $2.64 in the corresponding period a year ago and $4.56 in 1923.



The management has shown itself capable and progressive and it would appear that earning power should continue the tendency toward expansion.

Net profits in 1923 and again in 1924 were affected, to a considerable extent, by the extraordinary expenses involved in getting the newly acquired properties into proper co-ordination with the company's existing organization.

Certain-teed faces its best period since earnings in the second half-year normally run to heavier totals than the first half. Net for 1925 should materially exceed the $11 a share indicated by results achieved in the six months ended June 30. *As a speculation, therefore, the common stock seems fairly attractive at recent prices around 52 where the issue affords a yield of 7.7% on the basis of the current $4 dividend.*

Thirty Remaining Opportunities Among Leading Semi-Investment Common Stocks

Company / Nature of Business	Extreme Fluctuation in mkt. price of stock 1921	1923	1924	Ten-Yr. Div. Record Max. Paid	Min. Paid	Ten-Yr. Earnings Record Max.—per share	—Min.	Earned per share 1924	Working Capital per share Com.	Recent Price	Div.	Yield %	COMMENT
Air Reduction .... Welding Appliances	$20	$16	$26	$5.0	$2.0	$12.53—'23	$3.73—'21	$8.48	$21	$107	$4.0	3.7	Hidden equities. For each dollar paid in dividends company has annually reinvested more than equal amount in the business. Should eventually pay more.
Allied Chemical ...... Chemical Mfg.	25	21	22	4.0	3.0	7.61—'23	2.64—'21	7.25	45	95	4.0	4.2	Has pursued conservative dividend policy. Exceptionally strong financial position. No funded debt. Well able to weather industrial storms.
Am. Brake Shoe...... R. R. Materials	14	14	24	*5.0	*4.0	*13.08—'20	*4.41—'21	11.24	53	117	5.0	4.3	Excellent dividend and earnings record. Common divs. paid since organization in 1902. Manufactures diversified line of railroad supplies. Should pay more.
Am. Car & Foundry.. R. R. Equip.	†18	†20	†24	†6.0	†1.0	†‡16.12—'19	†‡1.19—'16	‡6.77	62	102	6.0	5.9	Largest of the railroad freight and passenger car mfrs. Common dividends protected by reserve sufficient to continue payments for three years regardless of earnings.
Am. Steel Foundries.. R. R. Materials	17	9	16	a3.0	†0.42	9.55—'23	def.—'21	5.63	31	39	3.0	7.7	No bonded or floating debt. Has somewhat irregular record, but financial position has been steadily strengthened during past several years. Affords attractive yield.
Am. Tel. & Tel....... Pub. Utility	24	9	13	9.0	8.0	11.72—'20	9.48—'17	11.31	3.5	139	9.0	6.4	Premier public utility issue. Business still growing and limited only by growth of the U. S. Sound investment. Will probably continue to offer valuable "rights."
Amer. Tobacco ...... Tobacco	†13	†11	†17	†7.0	†6.0	18.05—'24	†8.27—'15	18.05	47	97	7.0	7.2	Company has probably reached the limit of dividend payments for the present but enjoys relatively stable business. Still selling on attractive yield basis.
Am. Type Founders.. Printing Mchy.	n.l.	18	12	8.0	4.0	19.82—'23	4.90—'15	18.17	145	117	8.0	6.8	Earnings have shown unbroken, progressive increase over long period of years. Net income available for common shows present div. earned twice over in past 4 years.
Atchison .... Railroad	18	11	23	7.0	6.0	16.58—'19	9.99—'18	15.47	14	120	7.0	5.8	One of the strongest dividend paying rails. Management has built up splendid physical property and large equities. Should ultimately pay larger dividend.
California Packing ... Canning	21	10	26	6.0	1.5	‡19.01—'20	‡4.75—'22	‡12.64	36	113	6.0	5.3	Strong company with well developed earning power. Substantial share of earnings retained in business by virtue of conservative div. policy. Good long pull holding.
Chile Copper .... Copper	8	6	13	2.5	none	3.35—'23	def.—'21	2.59	5.5	34	2.5	7.3	One of largest copper producers. Believed to be lowest cost producer in the world. Should have no difficulty maintaining divs. under any except extreme conditions.
Childs............... Restaurant	n.l.	†6	12	c†2.40	none	†8.42—'20	†1.65—'18	6.13	0.3	56	c2.4	4.3	Including 4% stock dividend, this issue affords net return of 8.3%, an attractive yield. Company has rather slender working capital ratio, but business relatively stable.
Consolidated Gas ..... Pub. Utility	†9	13	19	†5.0	†3.37	5.76—'23	†2.00—'19	5.01	7.6	88	5.0	5.7	Entitled to sell on low yield basis by reason of investment merit. Unbroken dividend record since 1892. Sound issue for portion of one's investment capital.
Diamond Match ..... Match Mfg.	14	12	5	9.0	7.0	15.50—'16	7.46—'15	9.99	84	125	8.0	6.4	Comparatively stable earning power. Divs. paid without break since 1889. In strong trade position. No bonds, bank loans or preferred stock.

Electric Stor. Batt.... Storage B. Mfg.	†9	14	15	5.0	†1.0	8.45—'22	†2.09—'15	7.94	2.6	64	b4.0	6.3	Free of bank loans and funded debt. Business has shown remarkable growth in recent years. High average earning power. Div. well protected. Occasional extras.
Endicott-Johnson .... Shoe Mfg.	29	35	17	5.0	5.0	15.23—'19	5.46—'20	6.94	23	67	5.0	7.5	One of country's leading shoe manufacturers. Comparative stability of earning power entitles stock to rank with better grade common shares. Affords good income return.
Hudson & Manhattan. Pub. Utility	n.l.	5	20	2.5	none	3.33—'24	def.—'20	3.33	5.2	32	2.5	7.8	Initial dividend paid April, 1925. Steady expansion in earning power in recent years due to reasonable rate regulation. Shares unseasoned but attractive.
Illinois Central ...... Railroad	15	8	14	7.0	5.0	16.03—'16	8.88—'21	13.31	15.	116	7.0	6.0	Splendid example of successful American railroading. Unbroken div. record dates back to 1859. Freight traffic density increased in late years. A sound investment rail.
Kennecott Copper .... Copper	12	16	23	5.7	none	4.14—'17	def.—'21	2.02	5.1	54	3.0	5.6	Leading low-cost copper company. Strong management and financial condition. Desirable from viewpoint of long range possibilities.
Liggett & Myers ..... Tobacco	†6	†12	18	4.0	3.0	7.65—'18	5.06—'19	6.05	47	66	b3.0	4.6	Very strongly entrenched, leading tobacco manufacturer. Unusually well balanced earnings record. Strong financial position. Good issue for long pull holder.
Nat'l Dairy Prod..... Ice Cream	§not listed		14	§3.0	§none	f6.10—'24	f2.53—'19	6.10	7.1	61	3.0	4.9	Comparatively new company in growing industry. Business not greatly affected by industrial conditions. Attractive on basis of prospective future expansion.
New York Central.... Railroad	12	17	20	7.0	5.0	18.29—'16	5.50—'20	13.25	9.6	119	7.0	5.9	Earning statements do not include equities in income of company's prosperous subsidiaries. In strong strategic position. Likely to pay more eventually. Attractive.
Pennsylvania .... Railroad	9	7	8	3.0	2.25	5.22—'16	def.—'20	3.82	6.4	46	3.0	6.5	An old line railroad stock, conservatively capitalized. While no early increase in dividend appears likely, the shares have investment merit and relatively stable market.
Peoples Gas......... Pub. Utility	31	12	27	8.0	none	11.65—'21	def.—'18	11.10	3.6	115	8.0	7.0	Has fully recovered from abnormal war time operating conditions. Has no important competition. Dividend amply protected. Issue desirable on basis of 7% yield.
Pullman .... R. R. Equip.	27	24	38	8.0	8.0	11.56—'24	3.16—'22	11.56	28	142	8.0	5.6	Controls railroad sleeping and dining car business in addition to extensive rolling stock manufacture. No bonds or preferred stock. Sound investment issue.
Reading .... Railroad	29	13	26	4.0	4.0	9.16—'23	4.47—'15	8.80	6.0	87	4.0	4.6	Attractive from viewpoint of merger possibilities, aside from improvement in earnings. High asset value assures favorable treatment under consolidation plans.
U. S. Steel .... Steel Mfg.	16	24	27	18.0	1.25	48.46—'16	2.24—'21	11.77	84	121	7.0	5.8	Needs no introduction to investors. Improving outlook for steel industry and company's generous supply of working capital suggest possibility of extras.
Western Union ...... Pub. Utility	18	18	13	7.0	5.0	14.40—'17	9.65—'21	13.37	5.8	130	7.0	5.4	Earnings this year running well ahead of 1924. Has reinvested large sums in expansion, from which stockholders are bound to benefit in long run. Could increase div.
West. Air Brake...... R. R. Apparatus	14	44	27	c12.5	4.75	j23.92—'16	1.21—'21	7.71	34	121	6.0	4.9	Current income return rather low, but a sound issue for the long pull investor. Has impressive dividend record.
West. El. & Mfg..... Elect. Equip.	14	15	16	4.0	2.75	m14.75—'17	m3.90—'22	m6.46	58	75	4.0	5.3	Electrical equipment industry still growing. Future promising. Company strong in working capital and should eventually adopt more liberal dividend policy.

* Five-year record. Co. recapitalized in 1920. † On basis of present capitalization. ‡ Years ended April 30, 1916, 1919 and 1925. ‡ Years ended Feb. 28, 1920, 1922 and 1925. a Also 33⅓% stock div. b Has also paid $1 extra this year. c Also 4% in stock. d Also 20% stock div. f Predecessor companies. n.l. Not listed. § Organized 1923. j Year ended July 31. m Years ended March 31, 1917, 1922 and 1925.

Note.—Since preparation of these tables both Cal. Packing and Westinghouse Air Brake have had substantial advances.

Growing Popularity of Food Stocks as Investments

Eyes of Investors Opened to Possibilities in This Group—New Giants Rising in the Industry

AMERICANS live well. The average American table supports more delicacies and a wider variety of staples than that of any other country in the world. Whatever may be said about our taste in other things no one can deny that in food we appreciate quality as well as quantity. Even quality demands standardization, and standardization in food necessitates large scale production. Large scale production cannot be obtained without big producing organizations, and big producing organizations as they increase their scope of operations must find new capital. New capital can be obtained in Wall Street. Hence, Wall Street's food investment.

The common and preferred stocks and bonds of food companies in which Wall Street already is interested at present have a market value of at least three billion dollars. Of this amount, as the table shows, $2,592,271,000 of recent date was contributed by common and preferred stocks of companies having one or more stock issues traded on the New York Stock Exchange or the New York Curb. The gross sales of these companies cannot accurately be estimated, but certainly are not less than $8,000,000,000 per annum and probably are over $10,000,000,000.

Wall Street's Interest Recent

Of the 59 companies tabulated only 14 were traded in Wall Street prior to the World War, exactly the number introduced to trading since the beginning of 1923. During the past year, Wall Street's investment in food companies has appreciated roughly $640,-299,000 in market value in spite of poor business conditions in the sugar and corn products industries; and at least $450,000,000 (current market value) of new food stocks have been introduced to trading in the past two and a half years.

Two of the most interesting developments have been the initiation into the financial community of the baking and ice cream industries. This year's new offerings include ice cream stocks by two of the more conservative houses in the Street. The market valuation of the baking stocks now is over $700,-000,000, or substantially larger than that of any other food group. Aside from National Biscuit and Loose-Wiles, both of which sold at only a fraction of their current market appraisals, prior to late in 1923 the world's financial center had no interest in baking and considered ice cream something decidedly frivolous.

Furthermore, if market prices are a test, the food stocks have acquired an enviable position as investments. Fourteen food stocks now offer a dividend yield of less than 4%. Eliminating the sugars, essentially speculative and just now depressed because of an unfortunate equation between demand and supply in the commodity, and dropping from consideration several of the smaller and less significant companies whose stocks offer a very high yield through rather doubtful dividend rates, the yield of the entire group is under 6%.

Good-Will Value of Nationally Advertised Brands

Perhaps the high yields are to be explained by the fact that the market, in many cases, has discounted the growth of the company's business some years in advance as in the case of Kraft Cheese, Childs, Shattuck, National Biscuit, etc.; but in not a few cases it is recognized that the food companies are almost "deficit-proof" and can maintain dividends through any ordinary and through almost any extraordinary depression. In some respects the food shares, that is, the better ones, are comparable with the tobacco shares. Whether people work or loaf they smoke and eat, and food brands nationally advertised have a very definite good will value just as tobacco brands. The financial community and the investing public is rapidly becoming convinced that there is just as much value to high quality and dependable good will as there is to actual tangible assets, and most food companies are based on good will which it has taken years and millions to develop. The huge market appreciation of such companies as National Biscuit, Postum, General Baking, Continental Baking, Corn Products, United Fruit, and National Dairy Products has been an object lesson to stock market followers and to bankers. Food companies have remarkable speculative appeal, especially if well managed and adequately financed.

Trend Toward Big Units

Because many of us are too near to obtain an advantageous perspective, we do not realize that the outstanding economic development of the past ten years has been the growth in the percentage of the country's total business done by large corporate organizations. The small business man is finding it increasingly hard to compete with the big corporations and gradually is being absorbed or driven out of the picture. Strangely enough while this is going on the attitude of the public toward big corporate organizations is

Wall Street's Food Investments

	Recent Market Appraisal of Common and Preferred Stocks	Apreciation in Market Appraisal From Low Last Year	Average Yield of Group*
Six Meat Packers........	$482,850,000	$66,904,000	7.3%
Ten Sugars..............	282,360,000	42,712,000	8.5%
Two Gums..............	64,950,000	28,505,000	6.8%
Five Groceries...........	33,319,000	7,180,000	5.1%
Five Misc. Canners.......	101,886,000	35,818,000	5.4%
Five Restaurants.........	98,015,000	28,015,000	5.9%
Two Beverages..........	79,048,000	37,957,000	5.7%
Three Cereal Prods......	184,578,000	40,795,000	5.3%
Nine Bakers.............	701,180,000	250,714,000	5.8%
Two Fruit Growers......	247,200,000	51,700,000	5.8%
Six Dairy Products.......	99,875,000	42,840,000	5.0%
Four Candy Makers......	17,011,000	7,159,000	7.8%
Totals	$2,592,271,000	$640,299,000	

*Yields of dividend paying issues only.

becoming more friendly rather than more hostile. Statistics show that the percentage of total business done by big concerns has been increasing steadily for the past fifty years, but it is only in very recent years that the prejudice against the big chain store systems and large food producers has begun to disappear. Small business men have found unlimited opportunities as executives in big organizations and the public is increasingly interested in nationally advertised brands and in standardization.

The trend is now pronounced enough so as to be evident even to those who do not make it a life work to study economic movements and financial developments. Obviously it has just begun. Probably hundreds of new food concerns will make their debut to the financial community during the next ten years. Some, of course, will be doomed to failure; but others will rise as new giants just as Continental Baking has risen during the past three years. While the near future may see some food stocks crumble in value along with other over-boomed industrial securities, food's invasion of Wall Street has just started.

Securities and Commodities Analyzed in This Issue

Preferred Stocks

THERE was very little activity in the preferred share market. High-grade issues changed hands at ruling quotations. Baldwin Locomotive preferred was an exception, breaking sharply on sales of one hundred shares. On the other hand, New York, Chicago & St. Louis preferred and Chesapeake & Ohio were in demand, advancing three and four points. In the speculative rail list, Western Pacific preferred spurted up four points. Consolidated Cigars preferred, introduced in the Guide in the last issue, also advanced four points. Austin, Nichols & Company preferred was likewise a strong spot, advancing three points. Public utilities were quiet with no features. Business was quiet and transactions showed no change from ruling levels. The high-grade issues are now selling at prices which have probably discounted their investment value, but, in the lesser known issues, there are still good opportunities not only for very attractive income return, but also for enhancement in value of the principal and we feel this section of the list is deserving of consideration by investors.

PREFERRED STOCK GUIDE

(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

SOUND INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Divid'd Earned
INDUSTRIALS:				
General Motors Corp. (c)	7	112	6.3	(y) 5.1
Cluett-Peabody & Co. (c)	7	106	6.6	3.5
Loose-Wiles Biscuit Co. 1st (c)	7	105	6.7	2.5
Studebaker Corporation (c)	7	118	5.9	20.0
Schulte Retail Stores Corp. (c)	8	113	7.1	(w) 10.0
Gimbel Brothers, Inc. (c)	7	104	6.7	3.3
Baldwin Locomotive Works (c)	7	107	6.5	3.2
Endicott-Johnson Corp. (c)	7	115	6.1	4.5
American Smelting & Ref. Co. (c)	7	111	6.3	1.7
American Steel Foundries (c)	7	110	6.3	6.7
U. S. Industrial Alcohol Co. (c)	7	111	6.4	5.2
Associated Dry Goods Co. 1st (c)	6	98	6.1	4.0
PUBLIC UTILITIES:				
North American Co. (c)	3	50	6.0	(w) 6.9
Philadelphia Company (c)	3	49	6.1	5.6
RAILROADS:				
Chicago & Northwestern (c)	7	111	6.4	....
New York, Chicago & St. Louis (c)	6	96	6.2	(y) 3.7
Chesapeake & Ohio conv. (c)	6.50	111	5.9	9.0

MIDDLE GRADE INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Divid'd Earned
INDUSTRIALS:				
Bush Terminal Buildings Co. (c)	7	100	7.0	1.1
Brown Shoe Co. (c)	7	105	6.7	3.9
Cuban-American Sugar Co. (c)	7	97	7.2	7.5
Armour & Co. of Del. (c)	7	97	7.1	(w) 2.3
Allis-Chalmers Mfg. Co. (c)	7	107	6.5	2.8
Genl. American Tank Car Co. (c)	7	102	6.9	4.0
Natl. Cloak & Suit Co. (c)	7	102	6.9	4.5
PUBLIC UTILITIES:				
Radio Corp. of America A pfd. (c)	3.50	50	7.0	(w) 3.5
Amer. W. Wks. & Elec. Corp. 1st (c)	7	98	7.1	2.8
Public Service of N. J. (c)	8	115	7.0	3.4
RAILROADS:				
Baltimore & Ohio (n-c)	4	66	6.1	(y) 4.75
Bangor & Aroostook (c)	7	92	7.6	2.5
Colorado & Southern 1st pfd. (n-c)	4	63	6.4	7.5

SEMI-SPECULATIVE INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Divid'd Earned
INDUSTRIALS:				
Famous Players-Lasky Corp. (c)	8	115	7.0	(y) 6.5
Pure Oil Co. conv. pfd. (c)	8	107½	7.4	4.2
American Beet Sugar Co. (c)	7	87	8.1	1.5
National Department Stores (c)	7	97	7.2	4.0
Austin, Nichols & Co.	7	95	7.3	1.8
Worthington Pump & Mfg. "A" (c)	7	80	8.7	2.0
Orpheum Circuit (c)	8	102	7.8	(w) 3.2
International Paper Co. (c)	7	87½	8.0	1.75
Dodge Bros., Inc. (c)	7	82	8.5	..
Consolidated Cigar Corp. (c)	7	88	8.0	(x) 3.0
PUBLIC UTILITIES:				
American & Foreign Power Corp. (c)	7	90	7.7	(w) 2.0
Hudson & Manhattan Ry. (n-c)	5	67	7.4	(x) 3.6

SPECULATIVE INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Divid'd Earned
RAILROADS:				
Chicago, Rock Island & Pac. (5-7%)	7	96	7.3	(x) 1.35
Gulf, Mobile & Northern (c)	6	97	6.2	(x) 1.3
Western Pacific (c)	6	77	7.8	(x) 1.0

(c) Cumulative. (n-c.) Non-Cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
† Average number times earned last five years.

A Low-Priced Stock of More Than Ordinary Promise

Int. Combustion's Remarkable New Processes

EVERY once in a while an invention comes along so revolutionary in character as to force important changes in the industrial activities of the country. There is now at hand sufficient evidence that the patented fuel-saving devices controlled by the International Combustion Engineering Co. mark a new epoch in combustion engineering and that power plants throughout the world will be forced to abandon methods heretofore pursued in the burning of coal and adopt modern ideas.

The importance of a new method that will materially reduce the cost of fuel is hardly to be overestimated in its possibilities. It affects practically every industry, and in view of the highly competitive conditions existing today, manufacturers cannot afford to overlook anything that will lower their operating costs.

International Combustion Engineering has perfected what is known as the Lopulco system for burning coal in pulverized form. Many industrial and power plants have already adopted this system and have been able to show a substantial reduction in costs. Through pulverization, cheaper grades of coal can be burned, or when better grades are used, the heating power is intensified. Moreover, pulverized coal leaves practically no ash, and produces no smoke.

International Combustion Engineering is the only large organization in this field, and has received practically all the large contracts for this fuel-saving process up to the present time. Among the important organizations now using pulverized coal plants erected by International Combustion are the Ford Motor Company, Milwaukee Electric Railway & Light, Detroit Edison, Cleveland Electric Illuminating and West Penn Power. Recently, the company was awarded a $1,000,000 contract by the New York Edison Company.

A new development in the affairs of International Combustion Engineering has been the perfecting of a process for low-temperature distillation of coal, which has possibilities of overshadowing in importance even the Lopulco system. This new method distills the pulverized coal, yielding a motor fuel, tar, gas and other by-products, leaving a residue of pulverized coke which is burned under the boiler. While this process has not as yet been fully demonstrated in a large plant, preliminary tests have been of so promising a nature that its success appears definitely assured, and it only remains to be determined just how great a saving will be realized when used on a large scale. The North American Company, one of the largest public utility companies in the United States, has already entered into an agreement with International Combustion Engineering to introduce this system in their plants.

As an example of the far reaching importance of this method, there are in England huge quantities of coal dust that heretofore have had no commercial value, and which by distillation may be made to return many millions of dollars' profit. The motor fuel situation in England is a serious one, as the country has to rely entirely on imports, and it may be that the by-products motor fuel developed by this process will go far toward solving England's motor fuel problem.

International Combustion Engineering Co.

Consolidated Balance Sheet as of Dec. 31, 1924

Assets	
Plant and equipment	$ 3,574,275
Goodwill, patents and trade marks	3,799,915
Investments in other companies	661,704
Cash	360,789
Accts. and notes receiv.	2,101,548
Government bonds	138,184
Materials and work in progress	1,802,465
Deferred charges, etc.	123,713
TOTAL	$12,562,593
Liabilities	
Capital Stock	*$8,694,658
Minority interests in subsidiaries	56,814
Funded debt	483,750
Notes and accounts payable	1,006,799
Advances	244,832
Reserves for taxes, installations, etc.	637,648
Deferred Liabilities	18,500
Surplus	1,419,592
TOTAL	$12,562,593

*Represented by 437,934 shares of no par value.

While there is not sufficient data on hand at the present time to estimate with any degree of accuracy what profits this new system may bring to International Combustion Engineering, it is believed by those well informed on the subject that before long returns from this branch of the company's business will be greater than the combined profits of its other lines.

The annual report for 1924 only showed $2.41 a share earned on the stock; but in that year there were heavy expenses for development work, and actual earning power exclusive of certain special expense, was probably double the amount reported. No statement of earnings has been issued covering operations for the current year, but in view of the many large contracts received, amounting to about a 50% increase over 1924, a marked improvement in net earnings is indicated. In connection with present earning power, it should be realized that the company is only in its initial stride. It is the largest and most efficient organization in the combustion engineering field, controlling the most valuable patents, and while it has received some large contracts, the possibilities in this field are so great that up to the present time it can conservatively be said that the surface has hardly been scratched.

International Combustion Engineering management has been farsighted in realizing the unusually favorable opportunities for doing business in foreign fields. In many countries, the cost of fuel is of paramount importance, and manufacturers are unusually receptive to devices that will bring about savings in this regard. Indications are that in the future the company's foreign business will equal in importance its domestic activities. Already important progress has been made. In England the company is linked up with Vickers, Ltd., the leading engineers of that country, and substantial contracts have been taken. In Germany it is affiliated with the Stinnes interests. There is also a French subsidiary.

In France the company has taken in the first six months of this year nearly 50% more business than all of last year, and last year the French business amounted to about one million dollars. In Germany, an order was recently

taken for 1.5 million dollars, and since April 1st, inclusive of this order, business booked in Germany has totaled over 2.5 millions. Additional important developments are anticipated in this country shortly. In Southern Spain, the company has contracted to build and operate a power plant which will run well over 4 millions. In Italy, a contract has been closed for installing the first of a series of stations with pulverized coal. Recently the first pulverized fuel plant was put into operation in Birmingham, England, at a cost of about 1 million dollars, and proved a decided success. Another installation of the same type is to be made very shortly at a similar cost.

The idea of burning coal in pulverized form and the use of all-steel furnaces is taking rapid hold on all the countries of Europe. Compared with the brick or water-cooled furnaces, the steel furnace is far more efficient, and less expensive in the long run. A broad movement toward adopting more economical methods of fuel combustion has unquestionably started abroad, and with International Combustion Engineering already firmly established in this field, it should receive the cream of the business.

The capital structure of the company is a very simple one. There is only $483,750 funded debt, no preferred stock, and 437,934 shares of common stock of no par value outstanding. In May, stockholders voted to increase the authorized capital stock to 750,000 shares. President Leonard stated at the time that it was not the intention of the directors to offer to stockholders, or to sell any of the additional stock authorized in the immediate future. Later on, however, part of the new stock may be offered to shareholders involving valuable rights.

Since 1921 dividends have been paid at the rate of $2 per share per annum. Obviously, when a company is expanding its business as rapidly as is the case with International Combustion, it has good use for surplus earnings, and for that reason it is probable that the dividend policy will be conservative for some time to come. *The farsighted investor, however, will be willing to forego large immediate returns in view of the promise of substantial rewards in the future.*

IMPORTANT CHANGES IN CAPITALIZATION OF LEADING COMPANIES

Actual Changes Reported Since Our Issue of Aug. 1

AIR REDUCTION CO., INC.

Aug. 12—Purchased: the assets of the GAS TANK RECHARGING COMPANY.

AMERICAN EXCHANGE NATIONAL BANK.

Aug. 1—Consolidated: with the PACIFIC BANK, under the name: "AMERICAN EXCHANGE-PACIFIC NATIONAL BANK"; through exchange of $1,000,000 new Cap. Stk. of the American Exchange for equal Am't of Cap. Stk. of the Pacific.

AMERICAN SUMATRA TOBACCO CO.

Aug. 15—Receivers made 2d payment: of 25% on principal of outstanding 5-Yr., s. f., 7½% cv. g. Notes and all other undisputed liquidated indebtedness, together with 6% Int. to date.

AMERICAN TELEPHONE & TELEGRAPH CO. (See International Tel. & Tel.)

AMERICAN WATER WORKS & ELECTRIC CO., INC. (Also see West Penn Co.)

Aug. 24—Retired: at 105, Bal. of 6% Participating Pfd. not previously exchanged under offer of July 24 (See our Issue of Aug. 1).

ARNOLD, CONSTABLE & CO., INC.

Jan. 16—Issued: for cash, Add. Com. Stk. . . . . shs 10,000

ATLANTIC GULF & WEST INDIES STEAMSHIP LINES.

Aug. 14—Receiver of the NEW YORK & CUBA MAIL STEAMSHIP CO. ("WARD LINE"), a subsidiary, discharged: parent Co. having purchased, at 95 and 2-Yrs. Int., its $5,103,000 5% Bonds, and having agreed to pay off claims of about $2,000,000 as allowed.
Aug. 24—Changed par value: of Com. Stk. from $100 to no par.
Increased: Auth. Com. Stk. from 200,000 shs to 300,000 shs.

BALTIMORE & OHIO RAILROAD CO.

July 1—Refunded: prior ln. 3½s, '25 with 1st mtg. 5s, '48. $75,000,000

BARNSDALL CORP.

June 2—Arranged to acquire: remaining minority Stk. of POTTER GAS CO., in exchange for its own Class "A" Cap. Stk. . . . $1,062,450
July 1—CORRECTION: Only $1,977,200 of the s. f., cv. 8s, '31 were redeemed; leaving $3,733,500 Out., in addition to $565,000 bonds and notes of Subsidiaries.

CERTAIN-TEED PRODUCTS CORP.

Between July 2 and Aug. 14—Issued privately: at not less than $40, Add. Com. Stk. . . . . shs 80,000

CHICAGO, MILWAUKEE & ST. PAUL RY. CO.

Aug. 4—Sold: 5% Equip. Tr. Ctfs., '26-'40 . . . . $9,270,000

CONTINENTAL CAN CO., INC.

July 8—Arranged to purchase: factory property, formerly owned by the NATIONAL CAN CO., at Detroit, Mich.; consisting of 1.75 acres and 14 buildings, appraised at $320,000; in exchange for $42,500 cash plus block of Com. . . . . shs 4,000

DE BEERS CONSOLIDATED MINES, LTD., of South Africa; together with the ANGOLA, of Southwest Africa (Controlled by the Portuguese), CONGO (Controlled by the Belgians), JAEGERSFONTEIN, and PREMIER Diamond Mines—With aggregate Capitalization of $350,000,000, and estimated Annual Production of $65,000,000.

Aug. 3—Entered into a 5-Yr. agreement: effective Jan. 1, 1926, to market their entire output through a new London syndicate, composed of J. P. MORGAN & CO. (represented by the ANGLO-AMERICAN CORP. of South Africa), BARNETO BROTHERS of London, and the DUNKSBUHLER interests of Germany. Previous combines to monopolize the world's diamond industry proved disappointing, through failure to include the CONGO and ANGOLA Mines.

DELAWARE & HUDSON CO.

May 12—Shareholders approved: plan to transfer to new Company-owned Subsidiary all investments in coal properties, with book value of about $27,000,000

DU PONT (E. I.) DE NEMOURS & CO., INC.

May 1—Acquired: in exchange for property and working capital, about 90% of the $15,000,000 Cap. Stk. of the DU PONT VISCOLOID CO. $13,300,000
July 15—Arranged to sell: part of the $23,000,000 Pfd. Stk. of the MANAGERS' SECURITIES CO. then held $8,000,000
Aug. 10—Paid: to Com. Holders a Div. of 40% in Com. Stk. $38,024,360

FISHER BODY CORP. (Controlled by GENERAL MOTORS CORP.)

July 31—Acquired: plant at Detroit, Mich., covering 40 acres and 500,000 sq. ft. of floor space, formerly occupied by the BUICK MOTOR CAR CO. Purpose was to provide facilities for increased production assured through orders received from the YELLOW TRUCK AND COACH MANUFACTURING COMPANY.

GENERAL MOTORS CORP. (See Fisher Body and Yellow Cab Mfg.)

GLIDDEN CO. (THE).

Between Apr. 19 and Aug. 7—Sold: Add. Com. Stk. "At the market" . . . . shs 37,045
Aug. 7—Increased: Auth. Com. Stk. from 360,000 shs to 500,000 shs.
Aug. 18—Offered: to Com. Holders right to subscribe, at $20, to 1 sh. new Com. for each 9 shs. held . . . . shs 40,000

INTERNATIONAL PAPER CO.

May 27—Arranged to acquire: all Cap. Stk. of BASTROP PULP & PAPER CO., with plant at Bastrop, La. (See our issue of Aug. 1) in exchange for block of 7% Cum. Pfd $1,450,000
During July—Paid off: all bank loans $3,200,000

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

Aug. 14—Arranged to acquire: all Cap. Stk. of the INTERNATIONAL WESTERN ELECTRIC CO., INC., a subsidiary of the WESTERN ELECTRIC CO., INC., which is the manufacturing subsidiary of the AMERICAN TELEPHONE & TELEGRAPH CO. The I. W. E. Co. operates factories in many foreign countries, and sales last year were $43,800,000.

KRESGE DEPARTMENT STORES, INC.

Aug. 26—Increased: Auth. Com. Stk. from 200,000 shs. to 700,000 shs.

LACLEDE GAS LIGHT CO. OF ST. LOUIS.

Aug. 11—Sold: 10-Yr. 5½% g. Notes, '35 . . . . $3,000,000

LOUISVILLE GAS & ELECTRIC CO. (Del.) (See Standard Gas & Electric Co.)

MACK TRUCKS, INC.

July 7—Organized: a wholly owned subsidiary, MACK TRUCKS REAL ESTATE, INC.; with Cap. Stk. of $1,000,000, and $3,000,000 6% Notes, '26-'40 Out.; to own and operate service stations of the Mack Trucks organization.
Aug. 8—Offered: to Com. Holders right to subscribe, at $100, to 1 sh. new Com. for each 5 shs. held . . . . shs 67,946

MANILA ELECTRIC CO. (Operating Subs. of MANILA ELECTRIC CORP., THE.)

May 1—Sold: Add. 1st rfndg. mtg. 7s, '42 . . . . $500,000

MARLAND OIL CO.

Aug. 10—J. P. MORGAN & CO. exercised Bal. of option to purchase Add. Cap. Stk., at $40 . . . . shs 155,000
(Making 635,000 shs purchased, for $22,400,000, since Jan., 1924.)

MARLIN-ROCKWELL CORP.

Aug. 11—Increased: Auth. Com. Stk. from 222,805 shs to 300,000 shs.

METROPOLITAN EDISON CO.

June 25—Sold: at $100, Series "B," $7 Cum. Pfd. Stk. . . . shs 17,100

MISSOURI PACIFIC R. R. CO.

Aug. 1—Redeemed: at par, all Series "C," 1st and rfndg. mtg. 5s, '26 . . . . $9,044,000

(*Please turn to page* 869)

"Objections Overruled!"

ON another page of this department, a teacher-reader of BYFI takes up the cudgels on behalf of Investment Education in the schools—a cause which BYFI has championed for several years.

It might be suggested to our fellow-crusaders that the important task for the schools is not merely to inculcate principles of thrift. That is only half the battle.

A man, if he is to be successful as a citizen, a husband and a father, has not only got to learn how to save money; he must also learn how to handle what he saves.

It is on this latter branch—or so it seems to us—that the schools should lay the greater stress.

We do not agree that insurmountable difficulties would stand in the way of introducing such instruction. There are many books, covering phases of the development of American finance and industry, which could serve as texts. There are numerous periodicals which would lend themselves readily to reading courses.

While teachers competent to teach the subject may seem rare, it is inconceivable that, from the thousands of intelligent men and women who today grace this profession, a sufficient number of qualified instructors could not be found.

We are quite willing to agree that instruction in the subject suggested would be materialistic. The same may be said of the multiplication table, the wet and dry measures and the problem about the boy who had six red apples and halved them.

Manifestly, such materialism has its place in the curriculum. It helps to mold properly balanced men and women—and that is what education implies.

Whether the interests of pupils could be aroused sufficiently to make such courses worth while is, of course, beside the mark. No less success, in this respect, could be encountered than is being met with in some of the subjects taught today.

Finally, we see no valid argument in the plea that school hours are too crowded, as it is, to warrant additional courses. One or two existing courses, of purely academic and little cultural value, might of necessity be displaced, or condensed. But who would lose thereby?

The objections are overruled, the motion is on the floor, and it has been duly seconded. All those in favor may so signify by saying aye where it will be heard.

Chat

By

THE OLD TIMER

SOME investors I know would be a lot better off if they would confine their investing to types of industry they know something about.

How many automobile dealers invest in motor stocks? And yet who could be much better qualified than they to pick and choose in this field? The success of a given model means hundreds of thousands—sometimes millions of dollars—to a given company. Who knows, ahead of a wide-awake dealer, when such a success is being scored?

* * *

INERTIA is a world-wide fault. It is that alone which keeps many dependent persons in the dependent class.

One costly form of inertia is that which keeps an investor from widening his horizon—learning about new types of enterprise with which he has not been familiar before.

Only a limited few, for instance, have studied and learned about the possibilities of investing, productively, in the stocks of financial institutions—banks, trust companies, insurance companies, mortgage companies, and the like; yet these rock-ribbed (when well selected) investment types have rewarded their holders on a scale which many of the established corporation securities never will approach.

* * *

I KNOW a group of enterprising gentlemen who determined, about twenty years ago, to learn all there was to know about a certain type of financial institution and then make use of their knowledge. They are all very wealthy men, today, and they control one of the largest financial institutions of its kind in the world.

* * *

AMONG the romanticists, the mortal most despised is he who kisses—and tells.

The most despised man in Wall Street is he who buys some over-priced, unwieldy stock *on his own initiative*—and then blames Wall Street for his troubles.

* * *

A CONGRESSIONAL investigating committee, some time ago, is supposed to have stood aghast when a certain well-known Wall Street man informed them that he was frequently employed to "make" markets in new securities.

Did the learned gentlemen have the idea that public interest could be aroused in a security by merely offering it for sale?

Security-distribution is a problem in merchandising, just like selling soap or hot-cakes. It takes a certain amount of drumming to catch the public eye.

* * *

SOME people think the high-grade stocks have been pushed too high in recent markets. That is as it may be.

It occurs to me to note, however, that prices are fixed by supply and demand; and to further note that the public has never before put as little of its money in fake stocks as it is doing today.

In other words, there is much more money available today for high-grade securities than there ever was in the old days.

* * *

EVEN if the high-grade securities do react in price, they at least won't pass out altogether, as the promotions of blessed memory used to do.

* * *

FIFTEEN years ago, real estate in many sections of the United States was a drug on the market. Nowadays, measured by some pocketbooks, it's very nearly priceless.

People who buy now might well talk with people who tried to sell then. There is still such a thing as an ebb-tide.

* * *

A MAN and a woman fell in love and were married. They lived around from pillar to post, spending most of their income on rent for unattractive flats, and saving nothing. At the end of three years, they were frazzle-nerved—and if you don't know what that means, you've never lived around from pillar to post and spent most of your income on rent for unattractive flats. The man of the house never took any vacation because it was no fun sitting around home for two weeks, and he couldn't afford a trip.

One day, visiting an old-time friend, a spinster, who lived in a tumble-down country home, they heard the plaint, "Oh, if I could only get some nice couple to buy this house of mine and let me pass out my days here." The spinster wanted to be relieved of the financial burden; but she wanted to keep her home.

The young husband had an inspiration. "Give me an option on it for one year—let us board here during that time—if we like it enough, we will buy and you can stay as helper—if we don't you make the profit of the option." The spinster accepted.

The option provided for a cash payment of $1,500, or more money than our friend thought there was in the world. The penalty was $200.

The couple managed to get a release from their then-current cliff-dwelling, and took up their residence in the tumble-down home. Inside of seven months, they had exercised their option.

Moral: It's remarkable how much money you can accumulate over a year's time if the *incentive* is there. If the incentive isn't there get one.

(Note: The young man managed to extract a raise in salary of $15 per week. That accounted for about $330 during the period of which we are talking. His wife saved nearly $400 out of what had been her housekeeping allowance; that made over $700. An automobile, acquired on the first flush of marital exuberance was sold for $200, bringing the total up to $900. The other $600, or thereabouts, they earned between them—the husband by writing articles for trade magazines, the wife in various ways, but principally through hand-decorated Christmas cards, tally cards, etc., at which she had some talent.)

(Additional Note: The erstwhile tumble-down house is now one of those delightful old-fashioned country homes you read about. Painting by Husband. Hangings, rag-rugs, etc., by Wife. Cooking by Spinster. Domestic charm by, at present, a three-year-old with remarkably curly hair.)

Watch the Next Issue for a
Very Interesting Prize Announcement
Open to All Readers of
The Magazine of Wall Street
September 12th Number

Advising:—

(1) A Young Bachelor
(2) A Student
—On Their Insurance Problems

By FLORENCE PROVOST CLARENDON

The Bachelor's Problem

I should appreciate your advice as to what you consider the best form of insurance to take out so as to give me the following protection:

Age: 24—Single.

Insurance now outstanding: Accident and sick insurance with the Monarch Accident Insurance Co., Springfield, Mass.

Rate $52.00 a year—gives the usual accident protection and $25 per week during sickness.

No life insurance.

Type of insurance desired: An endowment policy incorporating a sick and accident feature.

If you do not believe that this type of policy is the best, please give me your recommendation. Do you consider a straight life better? I am working my way through college and want to get the best policy, which at a later date can be expanded as much as possible at the lowest cost. My present salary is approximately $2,100. This coming fall my salary will drop to just enough to cover living expenses because of my college work.

Any suggestions from you will be appreciated.—F. R. R., Detroit, Mich.

Your preference is apparently for an Endowment Policy—quite natural for a young unmarried man of 24 who seeks to build up a thrift fund which will also furnish insurance protection for a dependent during the period before the Endowment matures and is paid to the insured himself.

As your present salary will be decreased in the fall when you take up your college work, you will naturally seek insurance coverage of a permanent character with not too high a premium. You obtain this by means of a 35 Year Endowment Policy, which will mature as an Endowment in your 59th year; premiums will run only over that period of life when your income will normally be increasing from year to year; and the premium payments will cease before age 60—at a time when a man is prone to wish relief from obligations of this nature.

It is quite probable that you may marry later on in life, and will thus need family protection, and your 35 Year Endowment policy will provide such coverage over an extended term of years. If you live to the maturity of the Endowment—your 59th year—you will then personally receive the proceeds of the policy, and the fruits of your saving, a most acceptable addition to your assets at that time of life.

The cost of the 35 Year Endowment at your age is attractively low: $20.74 on the non-participating plan per $1,000 annually. On the participating plan (reducible by annual dividends) the cost is higher in the early years, but in the final results the cost works about even. Thus for a little over $100 a year you can immediately set up an estate of $5,000, paying your premiums quarterly or semi-annually if this best suits your income. The Accidental Death Benefit would cost about $1 per $1,000 additional while the Full Disability Benefit, with waiver of premiums and monthly income of 1% per month for each $1,000 of face value, would be about $1 extra per $1,000 of insurance.

The Student's Problem

Kindly inform me what your opinion is of the Pure Protection Life Insurance Co., operating in Ohio for about 10 years.

The company insures at lower rates than the Old Line companies and claims that it can do so for the reason that policies are payable only upon death, and have no value as far as a loan, etc. They issue no endowment or paid up policies.

Can this company be depended upon as to safety, etc.?

They claim they maintain 105% reserve, which no other company can claim.—B. M. D., Cleveland, O.

We have preferred to abstain from giving critical or discriminatory advice regarding the various companies operating throughout the country. We would state, however, that according to a conservative report on life insurance institutions published annually (Best's Life Insurance Reports, 1925) the Association you name was incorporated in 1912 and had progressed satisfactorily.

Their claim of maintaining a reserve of 105% is correct. While this percentage is frequently *not* obtained in fraternal and protective associations, a reserve of over 100% is obligatory in all legal reserve,—or "Old Line"—companies, and the 105% you refer to is often far exceeded in such Old Line institutions.

You would get pure protection *only* in the Association you refer to, whereas in an Old Line life insurance company cash, loan and surrender values are included in policies on all the permanent forms. These values are attractive and important considerations, because in event of lapsing or discontinuing the insurance there is still a return to the policyholder.

According to rates conveniently at hand, I observe that the Association quotes a rate of $17.18 per $1,000, initial premium, on the Whole Life plan at age 30. The average death rate so far has been low. The rate for a similar policy in a non-participating Old Line company is $17.19, with the advantages that go with the guaranteed benefits of such companies.

BYFI'S
Recommendations Table
(For Small Investors)

$100 Bonds	Recent Price	Yield to Maturity
St. L. & S. F. R. R. prior lien 4s, '50	75¼	5.90
Laclede Gas 5½s, '53	99½	5.50
U. S. Rubber 5s, '47	89	5.85

Preferred Stocks	Per Share Dividend Rate	Recent Price	Yield
Cluett Peabody	7	106	6.60
American and Foreign Power	7	90	7.7
American Smelting	7	111	6.30
Radio Corp.	3½	50	7.00
Schulte Ret. St.	8	113	7.10

Common Stocks	Per Share Dividend Rate	Recent Price	Yield
American Tel. & Tel.	$9	140	6.40

Opportunity Beckons the Young Man of Today

By JASON THOMAS

THE little of mine that has been published by BYFI in the past has dealt largely with the age-old problem of home-building.

I should like, assuming BYFI's consent, to veer away from my accustomed path in this issue.

An incident which occurred the other day led me to wonder whether a little wholesome good might not be accomplished if a few words were offered the younger generation on the general subject of Today's Opportunities for Young Men.

The incident was my overhearing, quite by chance, a discussion of the young man's position under present-day conditions. Some six or seven youths were engaged in the discussion—one of them very well known to me.

They didn't all agree on the finer points of their discussion, but they did all agree on their general conclusion which was, substantially, this:

"Three generations ago, and beyond, the young men of the time had an undeveloped country in which to work out their own destinies. The natural wealth of that country and the great need the rest of the world had of it, assured its rapid growth. All the young men had to do was to get into some essential field and grow with it. Today, the country has reached a point of development where the creative opportunities our forefathers had no longer exist. All that is left for us now is to make cogs of ourselves, fit ourselves into the great American machine—and grind for the rest of our days."

It seems to me that, if any number of today's young men feel that way about things, it's high time someone set them straight.

An Era of Opportunity

As a matter of fact, I doubt if any civilization or any era in the history of man offered greater opportunities for the young man than are found on every side today.

Perhaps the greatest opportunities have resulted from the very super-development of America which was so sadly deplored by the young men quoted above.

As a result of this development, innumerable professional and commercial organizations of colossal proportions have been reared up. Every one of them calls, not for one man or two men to guide them, but for dozens—hundreds—sometimes, even, thousands. Because the supply of able, intelligent, aggressive and educated young men is so limited, they are actually competing with one another to secure the services of the few that appear.

Without wishing to cause any dissension in camp, I suggest that any young man who doubts the above consider the abilities of his immediate superiors in the office, factory, or what-not, where he himself is now employed. How many of these are actually "superior"? How many deserve to move further up on the basis of real ability? How many are equipped and ready to take hold of the rudder, in an emergency, and guide the ship themselves? Not many, if my observation is accurate.

Better still, let my younger (and perhaps a few of my older) readers consider their own attainments: How many of *you* are equipped *now* to assume a high and responsible position in the field in which you are now engaged?

The Organization of Society

The remarkable proportions which organized business has assumed, multiplying the responsible and high-salaried positions available, is not the only source of unusual opportunity today. Perhaps an even more fruitful source is the organization of society.

Today, so cohesive, so closely-knit is the "body public," and to such a degree has the level of civilization been raised, markets which would have been limited by thousands three generations ago are scarcely limited by millions today.

The young man who has something of merit to offer the public today is assured of an infinitely larger and wider market now than ever before.

In evidence of all this, we need only consider the sudden fortunes being made day after day, by composers, artists, inventors, by those who commercialize and manufacture a new and good product.

Greatly improving the situation, of course, is the heightened purchasing power of the individual.

Fifty years ago, a given product had a more or less limited market in a given locality. Today, an equally meritorious product has a continential market—and the combined purchasing power of that market is somewhere very far up in the billions of dollars.

The Opportunities for Speculation

For young men with a leaning toward speculation—and what red-blooded young man has not?—The present age offers opportunities infinitely greater than those of previous generations. I say this, not even excepting the days of the '49ers, most of whom are said to have returned home stone broke; or the days of the early buyers of metropolitan real estate who, with rare exceptions, were either starved out by the inertia of their medium, or else died land poor.

I am thinking, of course, of the opportunities offered by the stock market.

I suppose some will censure me for encouraging young men to speculate in securities, but, somehow, the prospect of such censure does not deter me. I can't for the life of me see the difference between buying a $5,000-interest in some going business in the hope of carving out a fortune, and buying $5,000 worth of securities in somebody else's business, in the hope of making a profit.

It seems to me that unusual opportunities for successful speculation exist today largely because of the enormous breadth attained by the securities market. Under present conditions, scarcely anyone but who can find, represented in the securities market, an industry

(*Please turn to page* 852)

"The Schools Should Teach Finance!"

Such Instruction Would Not Conflict with High Ideals—Practical Obstacles Not Hard to Overcome

By EDWARD DAVIDOW
(A High School Teacher)

DOUBTLESS most readers of BYFI are fully convinced that those principles of saving and investment which lead to financial independence should be taught our boys and girls. That there are those who think otherwise was evidenced recently in the article in BYFI by a school teacher who signed herself "L. L. P."

Under the caption "A Province Conquered—," "L. L. P." expresses skepticism as to the advantages of a course on Finance in our high schools. She fears that such teaching might lead to a too-great emphasis on the securing of money as the real achievement in life, and she thinks that the present lack of high ideals which she finds so prevalent among high school boys and girls—an after-war cynicism —would be aggravated. "L. L. P." points out that a prosperity built upon a foundation of material comfort will not result in permanent happiness but that we must build upon the more *intangible* things. Quite rightly she states: *"Happiness, prosperity, financial success and stability do not rest only upon the tangible things of life, —upon formulas, and technic, and material knowledge. They rest squarely upon the intangible things—upon judgment which can not be measured; upon concentration which can not be calculated; upon character and integrity which can not be violated."*

Do Ideals Conflict With Investments?

As a fellow member of the teaching profession, and as one who has been guilty of teaching some of the fundamentals of finance to his pupils, I was very much interested in "L. L. P.'s" viewpoint and found much in her article with which I agree. But I wonder if there is any real conflict between the inculcation of high ideals and the teaching of investment principles.

One is reminded upon reading her article of a very old story: Two elderly and quite sentimental ladies, it is said, were once visiting the spacious grounds at Mount Vernon. The two ladies inspected the beautiful home of our first President and then wandered about the great estate. Late in the day an old negro caretaker came upon the two ladies and found them standing before a small, ivy-covered building, crying profusely. Approaching, the old darky inquired the cause of their grief. "Oh," sobbed the ladies, "isn't it saddening to think that here—at this very spot—lies the dear Father of Our Country—oh, oh," and they went into a fresh flow of tears. The old caretaker stood twisting his hat nervously: "Ah sho'ly sympathize wit yo' sentiments, ladies," he said, finally, "but yo' is weepin' at the icehouse!"

"Is there anything dishonorable about teaching a boy how to provide for his future dependents?"

Is it true—as "L. L. P." professes to see—that the teaching of Finance means the teaching of a rank materialism that relegates character to the background and enthrones cash as king? Is it true that the teaching of high ideals is inconsistent with the teaching of financial principles? Is there really anything dishonorable in teaching a boy to provide against his old age, to provide for his future dependents, to save something out of what he earns in order that he may live comfortably when his earning power is over? I wonder if "L. L. P." is not in truth "weepin' at the icehouse" when she pictures the teaching of Finance as an assault upon the inculcation of high ideals?

Thrift Training as Character Building

As a matter of fact there are few better mediums of character training than that embodied in what we term "thrift training," which includes school savings, teaching of financial and investment facts, etc. I believe that such training is the finest type of character training and should be an integral part of the training of *all* our boys and girls. "L. L. P.'s" picture of a conflict between the teaching of investment facts and training in character is a very interesting concept, but it has one fatal objection—it is not true! There is no such conflict. Thrift training—and by this I mean the broad field of financial training—*is* training in character. Gladstone recognized this when he said:

"Economy is near to the keystone of character and success. The boy that is taught to save his money will rarely be a bad man or a failure; the man who saves will rise in his trade or profession steadily; this is inevitable."

And our own great leader and American idealist, Theodore Roosevelt, has stated:

"The habit of saving money stiffens the will and brightens the energies."

The proper and logical time to train in the habits of thrift and investment is in youth. We want our children to be strong in character, to be thrifty, to be sensible. They must learn the lesson that waste breeds failure—that thrift leads to success. For life has many and varied phases. There are the phases of fine idealism and romanticism. But there are also times when life must be viewed with a stern practicality. It is a mighty poor type of education which prepares boys and girls to take their places as citizens and wage-earners in life, yet fails to show them how to provide for their financial futures. We must show our children that they owe themselves a duty: the duty to protect themselves and their dependents against future adversity.

The Problem to Face

The problem is simply this: We know that much misery and poverty in this world is caused by failure of people to save and to conserve their savings. Statistics frequently quoted and familiar to all of us show that out of every one hundred men starting life, the far greater number leave no estates and most of those living to old age become dependent upon others for support. *Records of Surrogate Courts in certain cities indicate that out of every one hundred widows, only* 18 *are left in good circumstances;* 47 *others are obliged to go to work, while* 35 *more are left in absolute want.* One hundred thousand paupers in our public institutions are an indictment against our methods of education. Is it "materialism" to teach our young people to avoid the financial pitfalls of life? Isn't it a mushy kind of sentimentality which pretends to see a danger to "high ideals" in the

"Life has many and varied phases. . . . There are the phases of fine idealism. . . . But there are also times when life must be viewed with a stern practicality."

teaching of these facts?

The truth is that the tragedy of countless individual lives has been due to the ignorance of fundamental financial truths. Such ignorance has led to poverty and disappointment and crime. The solution—and it has many times been advocated by the editors of BYFI—is that we should explain to our boys and girls in our public schools some of the simpler facts concerning the use of money. Such facts given at an impressionable age, would prevent much individual distress and would be of incalculable social value. No one has urged the teaching of such facts in the schools to the exclusion of other subjects. It should take its place in the curriculum along with the other subjects.

The problem of our curriculum makers is to go out into life itself and search out the things which our boys and girls should know in order that they may become efficient individuals. The purpose of education is simply to produce well-rounded MEN and WOMEN. Training in financial matters is today *one* part of such training, and a very important part.

Practical Considerations

There is, however, a very important and practical question which arises on reading "L. L. P.'s" article. How are the rudiments of Finance to be taught in the schools? Should a special class be given to this subject, covering a semester or a year of school work, or should the subject be correlated with similar subjects? I prefer the latter method.

Several years ago I asked permission of the principal of the large city high school in which I teach to start two experimental classes in a course which I termed "The Elements of Business." My idea was based on the fact that the average high school student possesses a lamentable ignorance of even the simplest facts relating to business.

The classes were intended primarily for those first-year students electing the commercial courses but they were open to all students. About sixty pupils signed up for the course—it was a one-year course—and two classes were formed. There was no suitable textbook on the market, and I proceeded to devise and find my material as I went along.

We started with a study of simple business organization and the pupils learned in a general way the distinguishing features of the single proprietorship, the partnership, and the corporation. When the students understood the organization of a corporation, it was easy to explain shares of stock, earnings per share, dividends, etc. We made a study of local business concerns, visited a number of the more interesting enterprises, and learned some valuable facts about them. The local business men cooperated heartily, furnishing any material we asked for, in fact, a number of the business men came out and spoke to the classes on their own specialties.

The study of banking was an interesting one for the pupils. The distinction between commercial accounts and savings accounts, between state and national banks—things which appear almost obvious to an adult—how to open an account, how to write checks properly, how simple and compound interest operate on savings—all these were new and interesting subjects to the children. A local banker came out one day, told the pupils about the workings of the Federal Reserve Banks, and answered their questions on banking in general.

A discussion of how a business man keeps his records led to a study of elementary bookkeeping. The different types and uses of advertising were touched upon, and the pupils tried their hands at writing simple advertisements. The technical and educational requirements in various financial and business occupations were studied, and the pupils learned that success in business—as in other fields—meant adequate preparation and constant study and work.

Much time was given to practice in the writing of the various commonly-used business papers; receipts, notes, orders, business letters, checks, drafts, etc. The handling of incoming and outgoing mail; the transportation of goods by express and freight; the service offered to business by the post office; how business papers are filed for reference—these were some of the other matters studied.

The Elements of Personal Investment

Towards the end of the course we came to what I considered a very important part of the work: a study of the elements of personal investment. The pupils had been prepared for this by their study of corporation organization, of banking, and of insurance. I began first by pointing out to the pupils the objectives in saving: to provide for old age, to buy a business, to secure an education, to provide for a "rainy day," to buy a home, etc. Then I stressed the necessity for thrift—quoting some of the statistics previously mentioned in this article. A chart, "The March Through Life," which shows in graphic form the failure of most people to save, as compiled by the National Underwriters Association, was used.

My next step was to point out how rapidly money accumulates at compound interest, even at low rates of interest, and how a competency may be created in life by faithful saving and the compounding of interest. The difference between stocks and bonds

(Please turn to page 852)

"The truth is that the tragedy of countless individual lives has been due to ignorance of fundamental financial truths. This ignorance has led to poverty and crime."

Royal Dutch Company

Royal Dutch—World's Greatest Oil Producer

Dividend Prospects—Investment Status of New York Shares

THE Royal Dutch Co., "For the Working of Petroleum Wells in Netherlands, India," to give the company its full and somewhat misleading title, is the largest producer of oil in the world. In corporate size and in extent and variety of operations the Standard of New Jersey is a peer of Royal Dutch, but in actual volume of crude and refined products produced Royal Dutch is the greatest in existence. Apart, these two companies are easily the leaders in the oil business. Together, they would make one of the greatest combinations in industrial history.

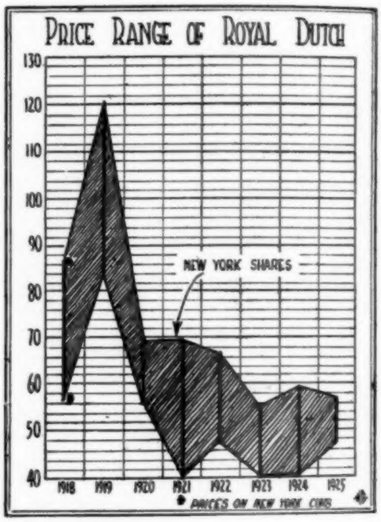
Last year Royal Dutch produced 13,388,110 kilotons of crude oil. This gigantic concern, however, should not be regarded as a single company in the ordinarily accepted sense. It is indeed a single company but it is a holding concern, an overlord of upwards of 80 vassal companies. The list is too long to name here. Suffice to say that outside of the Dutch East Indies, the Royal Dutch Co. operates, plans to operate, or has holdings, in Egypt, Rumania, Mexico, Venezuela, the United States, Argentine, Peru, Turkey and Russia. The company's main sources of production at present are, in their order of importance, the United States (Shell Union Oil Corp.), Dutch East Indies, Mexico and Venezuela. Other countries where the company has production are Sarawak, Rumania, Egypt and Djambi.

Royal Dutch has a strangle-hold in Venezuela, which many predict will become in time one of the world's greatest producers of oil. The company was a pioneer in the Venezuelan field and its widely diversified and extensive holdings include the cream of oil territory in that country. The statistician finds difficulty in accurately appraising Royal Dutch's worth for the reason that, with a few exceptions, such as Shell Union Oil Corp., the parent company owns practically all of the outstanding stock of its subsidiaries. In cases where there are sizable blocks of subsidiary stock outstanding such stock is in the hands of a few individuals. The subsidiaries, with the exceptions noted, find no occasion for public financial statements although the question may be fairly raised whether there is not a moral obligation for a holding company whose shares are in the hands of the public to make a full statement, not only of its own financial and physical affairs but also those of the subsidiaries on whose securities the holding company has issued its own securities. In the case of Royal Dutch, however, the high standing of those who direct its affairs, the company's long record of growth and successful operations, since its incorporation in 1890, coupled with its reputation for care in financial operations, is perhaps as good a surety as might be the flood of figures which would be necessary to show the positions of its multitudinous subsidiaries.

The Royal Dutch Company, notwithstanding that it was originally a Dutch company and that its capitalization and financial statements are still figured in florins abroad, is in reality more English today than Dutch. The fact that one must take into consideration the matter of foreign exchange—not so important now as a few years ago when exchange fluctuated widely—and also the fact that trading in this country is done in what are known as "New York Shares," makes it apt to be confusing at first glance. The Dutch florin is selling at approximately its par, 40c., at this writing and seems on a stable basis.

Royal Dutch has no funded debt and three classes of stock. The par value of the 4½% priority shares (cumulative), authorized and outstanding, total, in dollars $11,457,000. There is $603,000 par value of 4% preference shares authorized and outstanding, followed by $299,144,843 authorized of ordinary shares of which $161,788,000 is outstanding. It will be perceived that the total of the priority and preference shares is trifling as compared with the total par value of the ordinary, or, as we would say, "common shares."

The priority and preference shares have equal preference as to assets as well as dividends in the event of liquidation. Any surplus remaining after payment of par on ordinary shares is to be divided between preference shares and ordinary shares, pro rata. All classes of shares have equal voting rights. Out of profits approved at the annual general meeting there shall be first of all paid, pari passu, 4½% to the holders of priority shares and 4% to the holders of preference shares. After that the ordinary shareholders may receive up to 6%. Of the balance remaining, 93% goes to the ordinary shareholders and 3% to the managers. The commissaries receive the remaining 4% with the understanding that none of the commissaries may receive more than 30,000 guilders for any one year.



No bonded debt and no certificates of indebtedness can be issued nor can the priority shares be increased without the approval of holders of priority shares.

The par value of the ordinary shares is 1,000 florins, but for convenience these were split up into the so-called "subshares" of a par value of 100 florins ($40.20). In December, 1916, Messrs. Kuhn, Loeb & Co. purchased

74,000 subshares. These subshares were deposited with the Equitable Trust and three for one, or 722,000 "American shares," were issued against them. So that the American shares had a par value of $13.40. In September, 1918, the American shares were exchanged for New York shares, share for share. The New York shares are exchangeable for subshares on the basis of one of the latter for three of the former. Subscription rights issued by the company last year gave the New York shareholders the privilege of subscribing for one New York share at $15, for each four shares of New York stock owned. These rights sold as high as $7 per share.

In declaring dividends the company follows the practice of each year making two dividend declarations from the earnings of previous year. Thus, last year a first or "interim" dividend of 10%, the usual interim rate, was declared in February and a final dividend of 13% in August. At the time of the final dividend the 1925 interim dividend of 10% was anticipated and declared in order to assist those who wished to subscribe to the new stock offered. The total of dividends declared last year which may be properly accredited to 1924 was, therefore, 23% or the equivalent, in American money of $3.01 on the New York shares. Crediting the rights at $7 a share gave the New York stockholders a 20% return in 1924 on a price for the stock of 50.

Like the Standard Oils in their palmiest days, the Royal Dutch Company has always maintained an impregnable financial position. The company's balance sheet as of December 31 last, showed a net working capital of 207.5 million florins and cash in hand was nearly 106 million florins. What its equities may be in its various subsidiaries cannot be ascertained but doubtless they are considerable. It will be recalled that the real values underlying the old Standard Oil companies did not become apparent until the holding company distributed the stocks of its subsidiaries. If the analogy of Royal Dutch with the Standard Oil holds, it may be supposed that a similar situation exists in the case of the former company. The Shell Union Oil Corporation, for instance, of whose 10,000,000 outstanding no par common shares Royal Dutch interests own 7,200,000, has a surplus of approximately 19.5 millions and in this connection it should be remembered that Shell Union, in turn, is a holding company with numerous subsidiaries. In March, Shell Union increased its quarterly dividend rate from 25c. to 35c. per share which means that the Royal Dutch holdings of Shell Union now are paying at the rate of $2,800,000 more than last year.

1925 *Showing*

Royal Dutch reports its earnings only annually and if ever a company had a good excuse for not making more frequent earnings' statements this company is the one. The world-wide nature of its business precludes reporting more often but by the same token the wide-flung scope of its activities enable one to gauge more accurately the trend of its affairs than in the case of a smaller and more centralized organization. Demand for oil this year has been of record proportions and the price averages for crude and refined products have been the best for several years.

Early in August oil prices began to soften but up to the time this is written they were still high enough to show good margins of profit to well managed and efficiently operated companies. In a couple of months the period of greatest demand will be drawing to a close and unless there is a collapse in the oil price-structure in the last few months of the current year, Royal Dutch should be able to make a showing for 1925 which will contrast very favorably with last year's earnings. It is of course too early to attempt to forecast what dividends will be paid next year from the current year's earnings but best opinion is that the company will do as well and probably better by its stockholders than it did in the current year.

The Royal Dutch Co. has always been aggressive in the development of new oil fields. Frequently it has met with disappointing results but on account of its large resources and wide diversification of operations has been able to offset its failures by successes. The factor of diversification of operations is one of the strongest arguments in favor of this company. Lack of diversification, perhaps as much as any other single reason, has contributed to non-success in the oil business.

The following remarks to the company's stockholders in the last annual statement by the managing director furnish a clue to the company's development policy:

"Since, therefore, petroleum is playing a more and more important part in present-day life, it is obvious that there can be no slackening of activities in seeking everywhere new sources of production. *Almost every district which can reasonably be expected to yield oil is being explored.*"

Royal Dutch New York shares have sold at a high of 58⅜ this year and a low 48¼. At this writing they are approximately $50 per share. The high price was made in January when the outlook for a year of big earnings was bright. Those expectations have been realized only in part, but the year to date, while not up to the high hopes earlier entertained, has been far from an unsatisfactory one in the oil business. The fact that Royal Dutch, unlike American companies has no fixed dividend policy and also the fact that the company issues a financial statement several months after the close of its fiscal year makes it more than ordinarily difficult to fix the stock's investment value.

The general managing director of the company, H. W. A. Deterding, was once described by Bonar Law as "A Napoleon in conception and a Cromwell in thoroughness." While this may appear to be an extravagant statement, the fact remains that under its present management Royal Dutch has prospered tremendously and appears likely to continue to do so. While Royal Dutch shares are undoubtedly a good long-pull investment at present, the current disturbance in the oil price-structure should render investors slow to invest in the oils at this time. *When the oil shares show signs of stability, a better opportunity will be afforded to purchase this intrinsically sound oil stock.*

Royal Dutch Earnings

In Florins

	Total Income	Net	Available for dividends	Dividends paid	Earned on ordinary shares	Earned on N. Y. shares	Undivided balance
1918	97,677.145	72.190.311	69,567,990	68,421,760	41.42%	$4.75	1,146,230
1919	118,269.390	100.099,883	97,145,764	96.218,100	46.19	3.58	927,664
1920	138.736,206	129,450,364	129,061,913	128.290.800	39.94	4.62	771,113
1921	107,169,943	104,098,178	100.820,243	99,651,670	31.97	4.48	1,168,573
1922	89,155.122	87.730,478	85,852,919	85.186.105	26.87	3.60	666,814
1923	85,585.361	84,856,792	82,059,299	80,364.250	25.98	3.48	1,695,049
1924	89,512.076	87,983,567	86,251,296	84,464,330	21.53	2.82	1,786,966

SERVICE SECTION

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received—48,101 in the first six months of 1925. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

MIDLAND STEEL PRODUCTS

Sharp Increase in Earnings

I have been told that Midland Steel Products common and preferred stocks are very good purchases and would like to know a little bit more about this company before acting on the advice. The provisions of the preferred stock are not quite clear to me, and I would appreciate if you would explain just what preferred stockholders are entitled to.—S. F. G., New Haven, Conn.

Midland Steel Products Co. was formed in 1923 as an amalgamation of Detroit Pressed Steel Co., of Detroit, and the Parrish & Bingham Corp., of Cleveland. It is the largest manufacturer of automobile frames in the world, producing over 50% of the total output in the United States. Earnings have showed a steadily increasing tendency. In 1923, net income was 1 million; in 1924 1.8 millions and for the first six months of 1925 1.4 millions. The preferred which was outstanding to the amount of 73,000 shares the first of the year is entitled to $8 dividends before the common receives anything. However, after $4 a share has been paid on the common the preferred is entitled to 80% of all further earnings distributed in dividends. During the last quarter, the company paid in addition to the regular dividend on the preferred, an extra dividend of $1, and in view of current large earnings, it is probable that this extra of $1 will be continued, thus placing the preferred stock on a $12 per share per annum basis with prospects of higher payments. The common stock is paying $4 regularly in dividends and at the last dividend meeting an extra of 40 cents per share was declared out of surplus earnings. It appears probable that this extra dividend will also be maintained which would place the common stock on a $5.60 per share per annum basis. Earnings for the six months were equivalent to $16 a share on the preferred stock and $6 a share on the common. This compares with $19.30 a share earned on the preferred and $8.11 earned on the common for the entire 1924 year. Indications are that earnings for the last half of the current year will compare favorably with the first half. The company is in sound financial condition. As of January 1, 1925, current assets were 5 millions compared with current liabilities of only 1.3 millions. At present, the company is understood to have cash on hand in excess of 4 millions. The preferred stock is selling on the New York Stock Exchange at around 140 and the common on the New York Curb around 55. Both appear to have interesting speculative possibilities.

HUDSON MOTORS

Steadily Increasing Production

Would you advise me to dispose of my holdings of Hudson Motors? I bought the stock early this year at 37, and I have almost 100% profit on it at the present time. Unless the company is likely to increase its dividends I do not see justification for the stock selling at a 5% basis.—L. M. D., Detroit, Mich.

The motor industry as a whole had a very prosperous period in the first six months of this year. Recently, however, there have been important price cuts by the leading companies and as sales generally fall off in the last half of the year profits in this period are likely to be considerably lower. Under the circumstances, we deem it advisable generally to accept profits in the motor shares. From a long pull viewpoint, we are favorably disposed towards Hudson Motors as this company has been able to steadily increase production and is now the largest producer of six cylinder cars in the country. By adopting the policy of passing on to the consumer the lower costs, due to quantity production, Hudson Motors has greatly popularized its car and we believe that its sales will continue to increase. By selling out now, however, it is probable that you could replace your stock somewhat at lower prices later on.

AMERICAN WOOLEN

Wages Reduced

I have 50 shares of American Woolen for which I paid a high price several years ago, at the time when the company was apparently a permanently prosperous corporation. With all the talk of better business throughout the country I cannot understand why American Woolen is not making money, particularly as it has the wage scale back to the level of December, 1920.—D. L., Rutland, Vt.

While it is true that business as a whole throughout the country has been reasonably prosperous this prosperity has not been uniform. The textile industry as a matter of fact has been in a slump for the past two years and such companies as American Woolen have had to operate under very adverse conditions. We feel now, however, that a somewhat more constructive view can be taken in regard to American Woolen for there appears to be signs of some slight improvement in the industry and recently there has been a change in the management that we believe will result in the business being more economically conducted than in the past. The recent reduction in wages should prove to be of material help.

NEVADA CONSOLIDATED

Outlook Only Fair

Please tell me what you see in Nevada Consolidated. What about resuming the dividend? It looks to me as if the copper industry is improving and Nevada's earnings should be much larger. Why is the $5 par stock paying no dividend selling at 2½ times par?—M. W., Los Angeles, Calif.

Nevada Consolidated for the quarter ended June 30, 1925, reported earnings before deducting for depletion, equivalent to 26 cents a share which compares

(*Please turn to page* 845)

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers buy and sell their securities through reliable firms.

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LOS ANGELES

May 26, 1925

The Studebaker Corporation,
South Bend, Indiana

Gentlemen:-

As originators of the "Drive it Yourself" auto livery service, and operators of the largest business of its kind in the West, we want to go on record concerning the fleet of 80 Studebaker cars on which we have standardized. Since we began operation in 1914 we have used more Studebakers than any other make of car, and through accurate comparison in service we can say without partiality or prejudice that we have never had a car in our service that compared favorably with the Studebaker.

Renting cars to thousands of persons with varied driving experience, we must have automobiles that will go anywhere, be dependable, comfortable, easy to handle, economical in gas, oil and tires, and have distinctive appearance. Studebaker gives our customers all these things.

Our Studebaker cars--and there are 80--cost us less for service and repair work than any other cars that we operate. The Studebakers are always in demand. They take long trips. They run under adverse conditions, yet they give consistent service. They have stability that no other car has given us, are seldom out of service for repairs, and consequently bring us greater income.

These facts, considered with the original price for the high quality received in Studebaker cars, to our mind makes them the best and most economical motor car that we can get. Our checking records show Studebaker to have the lowest maintenance cost, to be giving the best service over the longest period of time, and the greatest satisfaction that our customers can find in a motor car

Just recently we planned a business expansion and, after a thorough investigation of motor car values, ordered ten new sedans --Big Six and Special Six models--through Mr. M. C. McGinnis of the Paul G. Hoffman Company, and have since augmented this order with additional cars from Standard Six Sedans to Victorias and Coupes.

We have a deep faith in Studebaker cars. We have thousands of satisfied customers and, just as these customers come back to us, so we will come back for more Studebakers when we need more cars.

Very truly yours,
STILLWELL AUTO LIVERY
L. G. Stillwell
President

THIS letter speaks volumes! It tells the story of Studebaker performance in the most convincing way. And this is only one of hundreds of recorded experiences that prove beyond any shadow of doubt that the sturdy "one-profit" Studebaker is the most practical car for salesmen.

Many concerns supply their salesmen with 4-cylinder cars on account of the low first cost. But experience proves that a 6-cylinder car is more profitable, enabling the salesman to produce more business because of the greater comfort and prestige it yields.

As Mr. Stillwell's letter shows, in the case of Studebaker cars the slightly higher purchase price is more than offset by superior performance and by a final operating cost practically as low as that of a 4-cylinder car.

Have the Studebaker dealer in your locality furnish detailed information about the Standard Six Duplex-Roadster—the ideal car for salesmen.

THE STUDEBAKER CORPORATION OF AMERICA, SOUTH BEND, INDIANA

School for Traders & Investors

Sixty-Third Lesson

Distribution, or Letting the Public Get Off—Which?

Showing Why Patience and Knowledge of Fundamentals Is Essential

THE accompanying chart of the important price movements of International Harvester, from the period of accumulation at the beginning of the present bull market up to the present time, serves to illustrate another condition whereunder the chart reader may deceive himself unless he is acquainted with the fundamental qualities of his stock.

Seasoned issues having investment quality are usually accumulated at the beginning of a bull market. Investors and long-pull speculators plan to hold such a stock until it has discounted all the favorable possibilities of the company's business cycle. Those traders who depend too much on nearby technical indications of charts and tape are likely to fall into the error of losing their advantageous long position during the first period of hesitation in the advance. This period of hesitation is caused by selling on the part of short-swing traders who desire to take profits. The market must absorb this profit-taking before the stock can make its next substantial advance.

A Deceptive Period

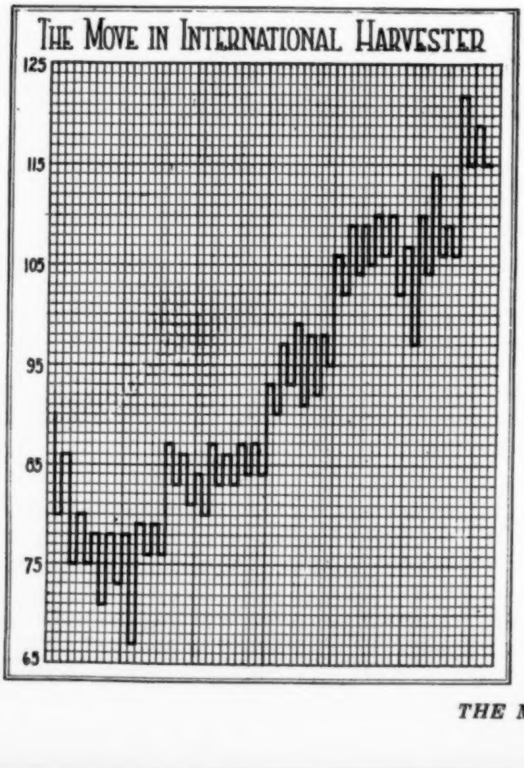
The stock will sometimes move up and down within a narrow trading zone for a period of a month or more, until it is sufficiently absorbed to proceed with the next step of its steady upward trend. During this period, in addition to the selling on the part of the short-swing trader who desires to take profits so that he may switch into some other issue that he believes will return quicker profits, there is usually considerable selling by inexperienced speculators who buy on bulges and are scared out of their position because the stock appears to be turning heavy.

Such selling would not take place to the same extent if the holders were fully acquainted with the merits of their stock. Knowledge of the financial position of the company, and its earning ability, would often show that a much higher price should be anticipated. However, the wise investor and trader, knowing that each substantial advance will encourage a certain amount of profit-taking, will not continue to absorb his favorite issue following a sharp advance, but he will wait patiently for the almost inevitable reactions that take place while the stock is "consolidating its new position."

Getting Into Strong Hands

While the stock is thus indulging in a series of small reactions and rallies before proceeding on its way, all of the weak holders who desire to do so are given an opportunity to dispose of their stock, which passes into the accounts of better informed investors and traders who are patiently waiting to absorb it at the most advantageous price. In other words, the big fellows are letting the public get off, and it is not unusual under such circumstances for the professional traders to bring about apparent weakness over a brief period by sudden selling, or lowering of their buying orders, so as to encourage the little fellow to mistake absorption for distribution, and thus let go of his stock at a price favorable to the buyer.

Referring to the chart, it will be observed that following the accumulation around the 75 level, the stock entered trading zones around the 85, 95, 105 and 115 levels. To the inexperienced chart reader, these zones carry the suggestion of inability to advance, and probability of a setback. To the sophisticated trader, who knows the statistical position of the stock, these levels are simply opportunities to let the little fellows get off.



From the appearance of the chart at the 105 level, it is probable that a good many got off thereabouts, and that some premature short selling may have been indulged in, to say nothing of a little panicky feeling on the part of numerous amateurs who may have bought on bulges, on a thin margin, and who evidently did not have the courage of their conviction.

The Lesson

The point we wish to make to the student is: Don't mistake a temporary trading zone for distribution, but investigate your stock and determine whether there is any common sense reason why the stock should be liquidated at the level in question. If its asset value and earning ability justify much higher prices, why relinquish your advantage to someone else? Certainly not much could be gained from such an action.

Trade Tendencies

Signs of Quickening in Pace of Business

Commodity Prices Firmer—Crop Prospects Encouraging—Retail Trade Active

STEEL

Outlook More Promising

THE steel situation shows signs of strengthening. Operations of the leading factor have been restored to the mid-May level, being approximately 71% of capacity. Output with the independent producers varies considerably but is averaging roughly between 65 and 70% which compares with 60% a short time ago.

Another significant item is the resistance to further decrease revealed by U. S. Steel's unfilled tonnage statement for July. The loss in orders amounted to 171,000 tons against losses of 339,000 tons in June and 397,000 tons the month before. At the close of July, the Steel Corporation's total back-log of orders amounted to 3.54 million tons, whereas, the low point last year was 3.19 millions. Pig iron production in July fell 3,179 tons a day under the preceding month's average, a loss of but 3.6%.

These statistical exhibits confirm
(*Please turn to page* 868)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1925 High	1925 Low	*Last
Steel (1)	$38.00	$35.00	$35.00
Pig Iron (2)	22.00	18.00	18.00
Copper (3)	0.15¼	0.13¼	0.14⅞
Petroleum (4)	3.80	3.00	3.65
Coal (5)	2.17	1.82	2.17
Cotton (6)	0.25⅝	0.22½	0.23½
Wheat (7)	2.16	1.48	1.72
Corn (8)	1.27	1.03	1.23⅞
Hogs (9)	0.14¼	0.10⅛	0.13¾
Steers (10)	0.14	0.10¾	0.14
Coffee (11)	0.23⅞	0.17⅛	0.20⅝
Rubber (12)	1.20½	0.35	0.81
Wool (13)	0.70	0.48	0.55
Tobacco (14)	0.24	0.22	0.22
Sugar (15)	0.04⅞	0.04¼	0.04¼
Sugar (16)	0.07	0.05⅛	0.05½
Paper (17)	0.04	0.03⅝	0.03⅝

*Aug. 14.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, Chicago, $ per bushel; (8) No. 2 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND IN MAJOR INDUSTRIES

STEEL—Conditions in the steel industry give indication of improvement. Output is gaining. Fair volume of new business but prices are still too low.

METALS—Copper continues to gain and seems likely to reach the 15-cent mark shortly. Rise in prices temporarily checks foreign and domestic demand. Statistical position improved.

OIL—Consumption of gasoline proves disappointing. Intense competition, due to heavy storage supplies and production upsets price structure.

TEXTILES—Little change in retail channels. Manufacturers still operating under difficulties although business is somewhat better than last year. Recovery likely to be slow.

LEATHER—Rise in hides checked. Some improvement noted in leather industry. Shoe manufacturers fairly active and should do well.

MOTORS—Business in motor industry holding up remarkably well. Extensive price cuts and new models stimulate sales. Production still high but profit margins lowered by price competition.

TIRES—Tire sales being sustained at higher levels than in former years but the industry reflects seasonal falling off in activity. Drop in crude rubber is likely to postpone further tire price advances.

SUGAR—Raw sugar shows stability at current low levels with little prospect for an early change in either direction. Refiners have raised prices somewhat.

PACKING—Indications point to better earnings in second half-year than in first. Improvement in by-product prices a material factor favoring the meat packers.

ELECTRICAL EQUIPMENT—Conditions in this industry are well stabilized with sales running somewhat ahead of 1924. Outlook for earnings good.

PUBLIC UTILITIES—Revenues of the electric light and gas utilities showing customary summer sag, but totals are materially larger than last year. Traction companies still backward.

SUMMARY—With the nearer approach of autumn, business is beginning to give more visible evidences of expansion. The agricultural outlook, generally speaking, is good. This augurs well for general trade. Commodity prices show some disposition to advance though there are many cross-currents.

THE UNITED LIGHT AND RAILWAYS COMPANY

(A Delaware Corporation)

REDEMPTION OF 6½% PRIOR PREFERRED STOCK
SERIES OF 1924
ORIGINAL ISSUE — $5,000,000

NOTICE hereby is given that The United Light and Railways Company (of Delaware), in accordance with its certificate of incorporation and the amendments thereof, has elected to redeem all of its outstanding 6½% Prior Preferred Stock, Series of 1924, the date of redemption to be November 1, 1925. On that date there will become due and payable for each share of said stock then outstanding the redemption price thereof, namely: the sum of $105.00 and the amount of the dividend accrued thereon from August 1, 1925, the date of the last dividend payment, to the date of redemption, or $1.62, making a total of $106.62—upon surrender of the certificate therefor to said The United Light and Railways Company at its office, Room 733, Illinois Merchants Bank Building, Chicago, Illinois. From and after November 1, 1925, dividends on all of the shares of said 6½% Prior Preferred Stock, Series of 1924, will cease to accrue. If any holder of any of said stock shall fail to receive or accept payment therefor, the redemption price thereof may be deposited to his credit in any bank selected by said The United Light and Railways Company, and all liability of the Company to such stockholder or upon the share or shares held by him shall thereupon cease, and such share or shares shall no longer be outstanding stock of the Company.

All certificates of stock surrendered pursuant to this notice must be either endorsed in blank or accompanied by proper instruments of transfer, duly executed, and signature guaranteed.

THE UNITED LIGHT AND RAILWAYS COMPANY
By Frank T. Hulswit,
President

Dated August 15, 1925

THE UNITED LIGHT AND RAILWAYS COMPANY IS A SUBSIDIARY COMPANY OF THE UNITED LIGHT AND POWER COMPANY

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1924 High	Low	1925 High	Low	Last Sale Aug. 19	Div'd $ per Share
Atchison	125⅝	90¼	111⅛	75	120⅜	91⅝	127⅞	116⅛	121	7
Do. Pfd.	106⅜	96	102⅛	75	96⅝	73	97⅞	92⅛	96	5
Atlantic Coast Line	148½	103½	126	79⅞	152¼	77	189⅝	147⅛	186	7
Baltimore & Ohio	122⅛	90⅜	96	38¼	84⅞	27⅝	84¼	71	80⅞	5
Do. Pfd.	96	77⅛	80	48¼	66½	33⅛	66⅛	62⅜	†65¼	4
Bklyn-Man. Transit	..	..	..	..	41⅞	9⅛	55⅝	35⅛	52½	..
Do. Pfd.	..	..	..	..	75⅜	31⅝	82	72⅜	†79	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	152⅜	136½	145	10
Chesapeake & Ohio	92	51⅛	71	35⅝	98¼	46	106	89⅛	104½	4
Do. Pfd.	..	..	..	..	109⅛	96	112	105⅛	†111¼	6½
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52⅜	10⅞	16⅜	3⅛	8½	..
Do. Pfd.	181	130⅛	143	62⅛	76	18⅛	28½	7	14¼	..
Chic. & Northwestern	198⅛	123	136⅞	35	105	45⅞	75⅜	47½	68¼	4
Chicago, R. I. & Pacific	..	..	45⅜	16	50	19⅛	54¼	40⅛	48½	..
Do. 7% Pfd.	..	..	94⅜	44	105	64	99¼	92	97	7
Do. 6% Pfd.	..	..	80	35⅝	93⅜	54	89½	82	86¾	6
Delaware & Hudson	200	147⅛	159⅛	87	141⅛	83¼	155	133½	150½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	147⅜	125	144	6
Erie	61⅛	33½	59⅛	18⅜	35⅜	7	34½	26⅜	33½	..
Do. 1st Pfd.	49⅜	26⅛	54⅜	15⅛	49¼	11⅛	46⅞	35	42¼	..
Do. 2nd Pfd.	89½	19½	45⅝	13⅛	46¼	7⅛	43⅜	34	40½	..
Great Northern Pfd.	157⅞	115⅛	134⅜	79¼	100⅜	50⅝	76¼	60	73¼	5
Hudson & Manhattan	..	..	..	..	29¼	20⅝	33¾	21⅜	32	2½
Illinois Central	162⅛	102⅜	115	85⅝	117⅞	80⅞	119⅝	111	115¼	7
Interboro Rap. Transit	..	..	..	..	39¼	9⅛	34½	13⅛	26½	..
Kansas City Southern	50¼	21⅝	35⅛	13⅛	41⅜	13	41	28⅝	40½	..
Do. Pfd.	75½	56	65½	40	59¼	40	60½	57	60½	4
Lehigh Valley	121⅛	62½	87⅛	50⅜	85	39⅛	83⅜	69	80⅜	3½
Louisville & Nashville	170	121	141⅞	103	155	84⅜	120⅞	106	116⅜	6
Mo. Kansas & Texas	*51⅛	*17½	*24	*3⅛	34⅜	*⅜	41⅜	28⅛	41	..
Do. Pfd.	*78¼	*46	*60	*6½	75⅜	*2	91⅜	74⅜	91½	5
Missouri Pacific	*77½	*21½	38⅛	19⅞	38⅞	8⅛	41	30⅝	37⅝	..
Do. Pfd.	..	..	64⅞	37½	74	22¼	87¼	71	85½	..
N. Y. Central	147⅜	90⅜	114¼	62½	119⅝	64⅛	124¾	113¼	122⅛	7
N. Y., Chi. & St. Louis	109⅜	90	90⅜	55	128	23⅜	137¼	118	132½	6
N. Y., N. H. & Hartford	174⅜	65⅝	89	21½	40⅞	9⅝	39¾	28	39⅛	..
N. Y., Ontario & W.	55⅝	25⅛	35	17	30½	14¼	34¾	20⅝	30⅝	1
Norfolk & Western	119⅛	84¼	147⅛	92⅝	133¼	84¼	140⅞	123½	138¾	7
Northern Pacific	159⅛	101⅜	118⅞	75	99⅞	47⅞	71¾	58¼	71¼	5
Pennsylvania	75⅝	53	61⅛	40¼	50	32¼	48⅞	42½	46⅝	3
Pere Marquette	*36½	*15	38⅛	9⅛	73	12⅛	73¼	61¾	73¼	4
Pittsburgh & W. Va.	..	..	40⅝	17⅜	94	21⅛	77	63	76	..
Reading	89⅝	59	115⅛	60⅛	108	51⅞	91¼	69⅜	88	4
Do. 1st Pfd.	46⅝	41¼	46	34	61	32⅞	41	8⅞	40	2
Do. 2nd Pfd.	58⅜	42	52	33⅜	65½	33⅛	44⅜	36¼	40⅝	2
St. Louis-San Fran.	*74	*13	50¼	21	65	10⅜	97	57½	95⅝	5
St. Louis Southwestern	40⅝	18⅛	32⅛	11	55⅞	10⅞	54¼	43⅜	53⅜	..
Seaboard Air Line	27½	13¼	22⅜	7	24½	2⅛	63⅜	20⅜	35⅜	..
Do. Pfd.	56½	23½	58	15⅛	45½	3	48	35	45	..
Southern Pacific	139⅛	83	110	75⅝	118⅛	67½	108⅜	97⅜	100¼	6
Southern Railway	34	18	36⅜	12⅛	79⅜	24⅜	102⅜	77⅞	101⅞	5
Do. Pfd.	86⅞	43	85⅛	42	85	42	92⅜	83	91	5
Texas & Pacific	40⅛	10¼	29⅛	6⅛	70½	14	58¾	43¼	51⅜	..
Union Pacific	219	137⅜	164⅜	101¼	154⅜	110	153¼	133¼	143½	10
Do. Pfd.	118⅛	79⅜	86	69	80	61¼	77¼	73¼	†76	4
Wabash	*27⅞	*2	17½	7	24⅜	6	44½	19½	42⅝	..
Do. Pfd. A	*61⅜	*6⅛	60½	30⅞	60⅜	17	73½	55⅜	72¼	5
Do. Pfd. B	..	..	32⅞	18	42⅜	12¼	60	38½	†58	..
Western Maryland	*56	*40	23	9¼	17¼	8	17⅜	11	15¾	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	30½	11	26¼	16	23⅜	..
Western Pacific	..	..	25⅛	11	40	12	29⅜	19⅜	27⅝	..
Do. Pfd.	..	..	64	35	86½	51½	77⅞	72	77	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	22½	10⅜	21	..
Do. Pfd.	..	..	50⅜	16⅝	32½	9¼	47⅜	22	44½	..

INDUSTRIALS

	1909-1913 High	Low	1914-1918 High	Low	1919-1924 High	Low	1925 High	Low	Last Sale Aug. 19	Div'd $ per Share
Adams Express	270	90	154½	42	93½	22	103½	90	93½	6
Ajax Rubber	..	..	89⅛	45⅛	113	4⅛	15⅞	10	12⅜	..
Allied Chem. & Dye	..	..	..	..	91¾	34	97¾	80	94½	4
Do. Pfd.	..	..	..	..	118⅜	89	120	117	†119¼	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	73⅝	26½	88⅞	71½	86	6
Do. Pfd.	43	40	92	32½	104⅞	67½	108	103¼	107	7
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	23¾	13½	21¾	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	68¾	36½	64¼	..
Am. Beet Sugar	77	19⅜	108⅛	19	103¾	24½	43	36⅝	37	4
Am. Bosch Magneto	..	..	..	..	143⅞	22¼	54½	26⅛	32½	..
Am. Can	47⅜	6⅞	68½	19¼	163½	21¾	246½	158⅛	238⅜	5
Do. Pfd.	129¼	98	114½	80	119	72	121½	115	†119½	7
Am. Car & Foundry	76½	36½	98	40	201	153½	111⅛	97½	106	6
Do. Pfd.	124⅜	107½	119¼	100	126⅛	105⅜	128	120⅜	†126⅞	7
Am. Express	300	94¾	140½	77½	175	76	166	125	140	6
Am. Hide & Leather	10	3	22⅛	2⅛	43⅛	5	14	8½	10⅜	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29⅜	75⅞	59	61⅞	..
Am. Ice	..	..	49	8⅞	122	37	122⅛	83	117	7
Am. International	..	..	62⅜	12	132¼	17	41	32⅛	35¼	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	81½	53	80	3½
Am. Locomotive	74¾	19	98¼	46⅝	136¾	58	144⅞	104½	114	8
Do. Pfd.	122	75	109	93	122¼		124	115	†115	7
Am. Metal	..	..	..	..	55⅞	38¾	53⅜	45¾	51	3
Am. Radiator	*500	*200	*445	*235	*345	64	113⅛	89⅞	101¾	4
Am. Safety Razor	..	..	..	..	40⅝	*3½	68	36⅞	63	3
Am. Ship & Commerce	..	..	..	..	47½	4⅜	14⅛	5⅝	7	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	100⅜	29¼	109	90⅜	109	6
Do. Pfd.	116⅜	98¼	118⅛	97	109⅝	63¼	112	108	†110½	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	40⅝	37⅝	38¾	3
Do. Pfd.	..	..	..	..	109¼	78	112	108	*110½	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	148⅜	36	71¼	47⅝	65½	..
Do. Pfd.	133½	110	123½	106	119	67½	101½	91	†99	7
Am. Sumatra Tobacco	..	..	145¼	15	120½	6⅜	24½	6	11	..
Do. Pfd.	..	..	103	75	105	22⅛	86½	23	†77	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	134⅜	92⅛	144¼	130⅝	140⅛	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1912 High	Pre-War Period 1909-1912 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1924 High	Post-War Period 1919-1924 Low	1925 High	1925 Low	Last Sale Aug. 19	Div'd $ per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82¼	99½	85	98	7
Do. Com. B	..	..	..	..	*210	81¼	98⅞	84½	97⅜	7
Am. Water Wks. & Elec.	..	..	..	..	*144	*4	68½	34⅜	61½	1.20
Am. Woolen	40⅝	15	60⅞	12	169⅛	51¼	64⅜	34¾	39½	..
Do. Pfd.	107⅞	74	102	72½	111⅞	88½	96½	69½	89⅜	7
Anaconda Copper	54⅜	27⅛	105⅜	24¼	77⅞	28½	48	35¼	42⅞	3
Associated Dry Goods	..	..	28	10	140½	48	55⅜	48¼	48¼	2½
Do. 1st Pfd.	..	..	75	50⅛	94	49⅞	100	94	†96	6
Do. 2nd Pfd.	..	..	49½	35	102⅜	35	108	101	†105½	7
Associated Oil	..	..	*78⅜	*52½	*142	24⅞	41½	32	37	2
Atl. Gulf & W. Indies	13	5	147⅞	4⅛	192⅜	9¼	59⅜	20	57⅛	..
Do. Pfd.	32	10	74⅜	9⅞	76⅛	6⅜	53⅜	31	53	..
Atlantic Refining	..	..	..	..	*1575	78⅛	117½	95½	101¼	..
Austin Nichols	..	..	..	..	40⅜	8	32½	22	26⅞	..
Do. Pfd.	..	..	..	..	91	50⅜	95	87⅜	†72	7
Baldwin Locomotive	60⅝	36½	154½	26⅜	156¼	62¼	146	107	114⅜	7
Do. Pfd.	107½	100¼	114	90	118	92	116⅝	107	†104	7
Bethlehem Steel	*51⅝	*18⅜	155½	59⅜	112	37⅜	53½	37	41	..
Do. 7% Pfd.	80	4½	186	68	108	87	102	93¼	†95½	7
Do. 8% Pfd.	..	..	110⅛	92½	116⅝	90	116½	109	†113	8
Brooklyn Edison Electric	134	123	131	87	124⅝	82	140⅝	120⅝	138¾	8
Brooklyn Union Gas	164½	118	138⅝	78	128	41	91⅝	75½	87½	4
Burns Brothers	45	41	161½	50	147	76	109½	92½	104⅜	10
Do. B	..	..	..	..	53	19⅝	30	17	†25	2
Butte & Superior	..	..	105¼	12⅛	37⅝	8	24⅛	6½	11⅛	1
California Packing	..	..	50	30	106¼	48¼	124	100½	123	6
California Petroleum	72½	16	42⅜	8	71⅞	15¾	32⅞	23⅞	27½	1¾
Central Leather	51⅜	16⅛	123	25⅞	116½	8⅝	21⅜	14⅜	17⅜	..
Do. Pfd.	111	80	117½	94⅞	114	29⅛	66	49¼	60	..
Cerro de Pasco Copper	..	..	55	25	67½	23	56½	43½	53½	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	39⅜	28½	29	3
Chile Copper	..	..	39¼	11⅛	38⅜	7¼	37⅞	30½	34⅞	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14	28⅜	19	24½	..
Chrysler Corp.	..	..	..	..	..	..	120	108¼	116⅜	..
Do. Pfd.	..	..	..	..	..	..	105	101½	104¼	8
Coca Cola	..	..	..	..	83⅜	18	146	80	142	7
Colorado Fuel & Iron	53	22½	66½	20⅛	56	20	48¼	32¼	39½	..
Columbia Gas & Elec.	..	..	54⅛	14¼	114⅞	30¼	74⅜	45⅜	73	2.60
Congoleum-Nairn	..	..	..	..	*181⅜	32⅝	43½	22	24⅜	2
Consolidated Cigar	..	..	..	..	80	11⅜	44¼	26½	37¼	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145⅜	56⅝	92⅜	74½	88½	5
Continental Can	..	..	*127	*37½	*131⅜	*34⅜	80	60½	75⅞	4
Corn Products Refining	26½	7⅜	50⅛	7	160½	31½	41⅝	32⅜	33½	2
Do. Pfd.	93½	61	113½	58⅛	123¾	96	127	118½	†120	7
Crucible Steel	19⅞	6½	109⅞	12⅛	278½	48	79⅜	64½	71	4
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅜	5⅝	14⅝	9⅛	10½	..
Do. Pfd.	..	..	100⅛	77⅛	87⅞	13⅛	62⅜	45¼	46	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	33½	22	24⅜	2
Cuyamel Fruit	..	..	..	..	74½	45½	59	50	53	4
Davison Chemical	..	..	..	..	81¼	20⅜	49⅜	27⅞	43	..
Dupont de Nemours	..	..	..	..	169⅜	105	201½	134¼	158	10
Eastman Kodak	*No	Sales	*605	*605	*690	70	118	104⅜	107⅜	5
Electric Storage Battery	*64¼	*42	*78	*42⅜	*153	37	70⅜	60⅜	64¼	4
Endicott-Johnson	...	..	..	..	150	44	72	63⅜	67½	5
Do. Pfd.	..	..	..	..	119	84	116⅜	112½	†115⅜	7
Famous Players-Lasky	..	..	..	..	123	40	114⅜	90¼	106	8
Do. Pfd.	..	..	..	..	108½	66	109	103	104¼	8
Fisher Body	..	..	43	25	240	75	87	60¼	84½	5
Fisk Rubber	..	..	..	..	55	5⅛	24⅜	10½	22¼	..
Do. 1st Pfd.	..	..	..	..	86	38⅛	107¼	75½	105¼	7
Fleischmann Co.	..	..	..	..	90¼	37⅝	108¼	75	107½	4
Foundation Co.	..	..	..	..	94⅜	58½	134¾	89½	125¾	8
Freeport-Texas	..	..	70½	25⅜	64⅜	7½	18⅞	8	16⅜	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	63¾	42½	53¼	..
General Cigar	..	..	..	..	98⅝	47	101¾	84½	†89	8
General Electric	188½	129⅜	187¼	118	322	109½	327½	227¼	323¾	8
General Motors	*51⅜	*25	*850	*74½	66⅝	*8¼	94⅝	64⅝	92½	6
Do. 7% Pfd.	..	..	..	..	103½	95½	113⅜	102	112¾	7
General Petroleum	..	..	..	..	45	38⅜	59	42	47¼	2
Goodrich (B. F.) Co.	86½	15½	80¼	19⅜	93⅜	17	59	36⅜	53¼	4
Do. Pfd.	109⅜	73⅜	116⅜	79⅞	109½	62½	100¼	92	†97¼	7
Goodyear T. & R. Pfd.	..	..	..	..	90⅜	35	105¾	86½	103⅜	7
Do. prior Pfd.	..	..	..	..	108½	88	108	103	108	8
Granby Consolidated	78½	26	120	58	80	12	21¼	13	17⅜	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52⅜	24⅞	40½	27	27¼	1
Gulf States Steel	..	..	137	58⅜	104⅜	25	94⅞	67½	81⅜	5
Hayes Wheel	..	..	..	..	52⅞	31	44½	30	41	3
Houston Oil	25½	8½	86	10	116½	40½	85	59	†62½	..
Hudson Motor Car	..	..	..	..	36	19½	66½	33¾	62¼	3
Hupp Motor Car	..	..	11⅜	2⅛	29¼	4⅝	20½	14¼	17⅞	1
Inland Steel	..	..	..	..	48¾	31½	50	38⅜	41¾	2½
Inspiration Copper	21⅜	13⅞	74⅜	14⅛	68⅞	22½	32⅜	22¼	28⅜	50c
Interboro Rapid Transit	..	..	..	..	39⅜	9½	34½	13½	26½	..
Inter. Business Mach.	..	..	52⅜	24	118⅞	28⅜	132¾	110	130	8
Inter. Combustion Eng.	..	..	..	..	39	19⅜	51	31¾	47⅜	2
Inter. Harvester	..	..	121	104	149⅜	66¾	127⅞	96½	125¼	5
Inter. Merctl. Marine	9	2⅛	50⅜	⅝	67⅜	4⅞	14⅞	7⅛	8	..
Do. Pfd.	27⅞	12½	125⅝	8	128½	18½	52¾	27	28¾	..
Inter. Nickel	*227¼	*135	57⅛	24½	33⅞	10⅜	35	24	34¾	..
Inter. Paper	19⅜	6½	75⅛	9½	91⅜	27¾	74⅝	48¼	63⅝	..
Kelly-Springfield Tire	..	..	85¼	26⅞	164	9⅝	21⅝	12¼	17	..
Do. 8% Pfd.	..	..	101	72	110¼	33	74	41	67	..
Kennecott Copper	..	..	64½	25	57⅞	14⅝	57¾	46½	55	3
Kinney (G. R.) Co.	..	..	..	..	86¼	35½	87¾	78	80	4
Lima Locomotive	..	..	..	..	74⅞	52	74⅜	60	64	4
Loew's, Inc.	..	..	..	..	38⅜	10	35	22	31¾	2
Loft, Inc.	..	..	..	..	28	5⅛	9⅛	6	17¼	
Lorillard (P.) Co.	*215⅛	*150	*239⅞	*144½	*245	23⅜	36¼	30¼	33⅞	3
Mack Trucks	..	..	..	..	173	25½	238	117	231	6
Magma Copper	..	..	..	..	45⅝	26⅛	44¼	34	42⅞	75c
Mallinson & Co.	..	..	..	..	45	8	37½	21⅝	25	..
Maracaibo Oil Explor.	..	..	..	..	37⅛	16	35½	21	21¾	..
Marland Oil	..	..	..	..	59⅝	12½	47⅝	32⅝	42⅝	75c

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1924 High	Low	1925 High	Low	Last Sale Aug. 19	Div'd $ per Share
May Department Stores....	*88	*65	*97½	*35	*174¾	*60	128¾	101	116½	5
Mexican Seaboard Oil......	..	..	..	..	34½	5¾	22½	11½	12½	..
Miami Copper	30¼	12⅜	49¾	16½	32¾	14½	24¾	8	9⅞	1
Montgomery Ward	..	..	..	..	48½	12	73	41	69⅝	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	75	65	70¼	3
National Dairy Prod.......	..	..	..	..	44½	30½	65⅞	42	62½	3
National Enam. & Stamp..	30¼	9	54½	9	39½	18½	36⅞	25	33	..
National Lead	91	42½	74⅝	44	169¼	63½	166⅞	138½	163½	8
N. Y. Air Brake..........	98	45	136	55⅝	145¾	26⅜	56½	42¾	51⅛	4
Do. Class A	..	..	..	..	57	45½	57½	51	56	4
N. Y. Dock	40¼	8	27	9¼	70⅝	15¼	36⅝	18	†31½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	60¾	41⅛	57¼	3.40
Do. Pfd.	..	..	..	..	50¼	31⅞	50⅛	46⅝	49⅞	3
Pacific Oil	..	..	..	..	69⅜	27½	65¼	51⅝	53⅝	3
Packard Motor Car.........	..	..	..	..	21	9⅞	38⅝	15	35	1.70
Pan.-Am. Pet. & Trans....	..	..	70⅝	35	140¼	38¼	83⅞	61	63½	6
Do. Class B	..	..	..	..	111¾	34½	84½	61¼	64	6
Philadelphia Co.	59¼	37	48⅞	21½	57½	26½	62¾	51½	58	4
Phila. & Reading C. & I..	..	..	..	..	54¼	34½	52½	37¾	40¼	..
Phillips Petroleum	..	..	..	..	69⅜	16	47½	36¼	38½	2
Pierce-Arrow	..	..	65	25	99	6⅛	36¼	10⅞	34½	..
Do. Pfd.	..	..	109	88	111	13½	86	43	81	..
Pittsburgh Coal	*29⅝	*10	58⅝	37⅛	74⅝	45	54½	37⅛	43	2
Postum Cereal	..	..	..	..	124	47	125⅞	93¼	123	4
Pressed Steel Car.........	56	18½	88¼	17¼	113⅝	39	69	45	51¼	..
Do. Pfd.	112	88½	109⅝	68	106	67	92½	76½	†74¼	7
Pub. Serv. N. J.	..	..	..	..	76	39	87⅞	62⅝	†81	..
Pullman Company	200	149	177	106½	161⅝	87¾	151¾	129	142	8
Punta Alegre Sugar.........	..	..	51	29	120	24¾	47¼	33	34¾	..
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	33¾	25⅛	26¼	1½
Radio. Corp. of Am.........	..	..	..	..	66⅞	25⅞	77⅞	48⅜	56⅝	..
Railway Steel Spring.......	54½	22¼	78½	19	137½	67	141¾	122½	129	8
Do. Pfd.	113⅜	90¼	105½	75	121½	92½	121	114¼	†118	7
Ray Consol. Copper.........	27½	7½	37	15	27½	9⅞	17⅜	11⅜	14½	..
Replogle Steel	..	..	..	..	93½	7¼	23¼	12⅜	14½	..
Republic Iron & Steel......	49½	15⅜	96	18	145	40½	61⅝	42½	48	..
Do. Pfd.	111¼	64½	112⅝	72	106⅜	74	95	84¼	†88	7
Royal Dutch N. Y.........	..	..	86	56	128⅜	40⅝	57⅜	48¼	49⅜	4.42½
Savage Arms	..	..	119⅝	39⅝	94½	8⅞	108⅝	48½	60¼	..
Schulte Retail Stores.......	..	..	..	..	129¼	88	116⅝	103	104	5
Sears, Roebuck & Co.......	124⅜	101	233	120	243	54¼	200	147½	198	6
Shell Trans. & Trading....	..	..	..	..	90¼	29½	45⅜	39⅜	40⅞	2.06
Shell Union Oil	..	..	..	..	28½	12⅜	28⅜	21⅝	22½	1.40
Simmons Company	..	..	..	..	37	22	49⅝	31¼	48⅜	2
Simms Petroleum	..	..	..	..	24	6⅛	26⅜	19½	20¼	1
Sinclair Consol. Oil.........	..	..	67½	25¼	64¼	15	24⅞	17	19½	..
Skelly Oil	..	..	..	..	35	8⅝	30½	21⅜	24¼	..
Sloss-Sh. Steel & Iron......	94⅝	23	93¼	19½	89	32½	107½	80½	98⅞	6
Standard Oil of Calif.......	..	..	..	..	135	47½	67¼	51½	52¾	2
Standard Oil N. J.	*448	*322	*860	*355	*212	30⅞	47½	38⅜	40	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119	116¼	118	7
Stewart-Warner Speed	..	..	*100½	*43	*181	21	77⅞	55	68¼	5
Stromberg Carburetor	..	..	45¼	21	118¼	22½	79⅜	61	68⅞	6
Studebaker Company	49½	15¾	195	20	151	30½	50	41⅛	45½	4
Do. Pfd.	98⅛	64½	119½	70	118¼	76	118⅜	112	†115¼	7
Tennessee Cop. & Chem....	..	..	21	11	17¼	6¼	12¼	7⅝	11	1
Texas Co.	144	74½	243	112	57⅞	29	54¾	42⅜	48	3
Texas Gulf Sulphur.........	..	..	..	..	110	32⅝	114¾	97½	113½	7½
Tex. & Pac. Coal & Oil...	..	..	..	..	195	5⅛	23⅜	11	13⅜	..
Tide Water Oil	..	..	225	165	275	94	36¼	30½	30½	..
Timken Roller Bearing.....	..	..	..	..	45	28½	46¼	37⅜	41⅞	3
Tobacco Products	145	100	82⅝	25	115	45	94½	70	89½	6
Do. Class A	..	..	..	..	93½	76½	106	93½	102⅜	7
Transcontinental Oil	..	..	..	..	62⅜	1⅛	5⅞	3⅝	4	..
Union Oil of Calif..........	..	..	..	..	39	35	43⅜	33½	34⅝	1.80
United Cigar Stores.........	..	..	*127⅞	*8⅝	*255	42½	96½	60¼	83¼	3½
United Drug	..	..	90⅝	64	175½	46⅛	133½	110⅞	127¾	6
Do. 1st Pfd.	..	..	54	46	58½	36⅝	55⅜	52	54⅜	3½
United Fruit	208½	126½	172	105	224⅞	95⅜	234	204⅞	225	10
United Ry. Investment.....	49	16	27½	4¼	41	6	33½	18¼	†25	..
Do. Pfd.	77	30	49¼	10½	64⅞	14	83¼	48½	†77	..
U. S. Cast I. Pipe & F....	82	9¼	31⅞	7⅞	169⅜	10½	260	131¼	165	..
Do. Pfd.	84	40	67½	30	104¼	38	112½	91	104	7
U. S. Indus. Alcohol.......	57½	24	171½	15	167	35¼	94⅝	76	86	..
U. S. Realty & Imp........	87	49⅝	63⅜	8	143½	17½	147⅝	114½	136½	8
U. S. Rubber	59½	27	80½	44	143⅝	22½	65½	33½	56½	..
Do. 1st Pfd.	123½	98	115½	91	119¼	66½	108⅜	98⅜	105	8
U. S. Smelt., Ref. & Min.	59	30⅝	81¼	20	78¼	18⅝	43¼	30	43	3
U. S. Steel	94⅞	41¼	136⅝	38	121	70¼	129⅝	112⅝	122	8
Do. Pfd.	131	102¼	123	102	123½	104	126⅜	122½	124½	7
Utah Copper	67½	38	130	48½	97½	41⅛	100	82	†99½	4
Vanadium Corp.	..	..	..	..	97	19⅝	34⅜	25⅝	30	3
Western Union	86¼	56	105½	53⅝	121½	76	137½	116¼	131½	7
Westinghouse Air Brake...	141	132¼	143	95	124½	76	144	97	137¼	6
Westinghouse E. & M......	45	24⅝	74⅝	32	71⅝	38⅝	84	66¼	77⅝	4
White Eagle Oil	..	..	..	..	34	20	31⅜	25⅝	26	2
White Motors	..	..	60	30	66	29¼	104½	57⅞	102	4
Willys-Overland	*75	*50	*325	15	40¼	4½	24½	9½	18⅞	..
Do. Pfd.	..	..	100	69	98¼	23	111	72¼	103½	7
Wilson & Co.	..	..	84¼	42	104⅝	4½	13⅜	5⅛	†5½	..
Woolworth (F. W.) Co....	*177⅞	*76½	*161	*81¼	*345	72½	171½	112¼	166⅜	3
Worthington Pump	..	..	69	23½	117	19⅝	79⅜	35¼	36⅝	..
Do. Pfd. A	..	..	100	85⅛	98½	65	88	79	†75	7
Do. Pfd. B	..	..	78⅜	60	81	53½	76½	64⅝	55	6
Youngstown Sh. & Tube...	..	..	..	..	80	59⅜	76½	63	73½	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. ¶ Partly stock.

ANSWERS TO INQUIRIES

(*Continued from page* 836)

with 34 cents a share in the preceding quarter. The outlook for the copper industry appears somewhat improved as the stocks of metal on hand are low and demand is increasing. It should be born in mind, however, that the capacity output of the copper mines in the world is very much greater than the demand, and as soon as the metal improves in price the operations of the various companies increase, resulting in over-production. For this reason for the past several years advances in the price of the metal have not been maintained for long. Under the circumstances we believe that the low-cost copper producers should be favored. Nevada Consolidated is not in this class as its costs are around 11 cents a pound. In view of current earnings it is possible that a small dividend can be paid on Nevada but at present levels this already appears discounted and we believe you would improve your position by switching into a stock like Kennecott Copper which is one of the lowest cost producers in the world.

OTIS ELEVATOR

Should Profits Be Taken?

What is the outlook for Otis Elevator? Do you believe the dividend will be increased to 8%? I have heard a rumor or report of this kind. The price would look like it. My stock cost me 90 and I am getting more than 6% on my money, but the 40 point profit is attractive. At the same time I am not in need of the money, and would be willing to hold on if you thought the dividends will be increased.—L. M., Jersey City, N. J.

Otis Elevator for the six months ended June 30, 1925, reported net income of 2.3 millions equivalent to $6.22 a share on the common stock. As the company is in very strong financial condition this earning power appears sufficient to warrant an increase in the present dividend rate of $6 although we have no information that such action will be taken in the immediate future. Even if dividends should be increased to $8, however, the stock at present levels of 130 appears to have rather fully discounted such a development and in our opinion, it would be a sound move on your part at this time to accept profits.

PIERCE-ARROW

Why Stocks Have Advanced

I have 25 shares of Pierce-Arrow preferred and 100 shares of the common. The common cost me 14 and the preferred 51. Why does this company not pay dividends? Is it not earning enough? What about the prior preference stock which is to be redeemed October 1st? What effect will this have on the dividend outlook?—L. K., Baltimore, Md.

Pierce-Arrow is not paying dividends on the preferred stock for the reason that all surplus profits can be used to advantage at this time in increasing the financial strength of the company. For the past several years Pierce-Arrow's earnings have been unfavor-

able and the financial structure of the company was thereby weakened. The recent advance in both common and preferred stocks has not been due so much to prospects of an immediate resumption of dividends as to the possibilities this company appears to possess to develop a substantial earning power through recent entrance into the motor bus field. This development, together with the increase in its passenger car business due to the introduction of a cheaper model and satisfactory progress in the truck field warrants an optimistic view of the company's future. The retirement of the prior preference stock on October 1st was a favorable development for the preferred shareholders, for this stock is convertible into common on the basis of five shares for one and it is a foregoing conclusion that it will all be converted in view of the present prices of the common, thus saving the company an annual dividend charge of $120,000. In view of the 34% back dividends due on the 8% preferred stock, this issue appears cheaper than the common and we advise you to sell the latter and hold the preferred.

SIMMS PETROLEUM

Outlook Uncertain

Some years ago I bought Simms Petroleum around 30, shortly after it was floated. As you know, it has never lived up to its prospectus. There has, of course, been some improvement in its net figures in the past two years, but the stock market does not suggest permanency of the improved status of the company. What is your view of Simms and its future?—D. F. L., Newark, N. J.

While it is true that Simms Petroleum has shown improved earnings, the six months ended June 30, 1925, showing $2.64 a share earned on the stock we would not say that the company has a very definitely assured future as production comes largely from one district which may or may not continue to yield a large output. Recently, there have been price reductions in oils and it now appears that the last six months of the year will not be nearly as favorable as the first. In our opinion it would be a good move for you to switch into Standard Oil of New Jersey. This company's activities are world wide and it can be relied upon to give a good account of itself under any and all conditions in the oil industry.

PENN SEABOARD STEEL

Deficit Reported

Is there any likelihood of Penn Seaboard Steel getting into the group of steel makers operating at a profit? I have several hundred shares which cost me an average of $3 a share, and if you believe the company is likely to work out of the hole, I am willing to hold the stock.—D. B. N., Philadelphia, Pa.

Penn Seaboard Steel for the quarter ended June 30, 1925, reported a loss of $25,000 before depreciation, comparing with a loss of $56,000 the previous quarter. Under the severely competitive conditions now existing in the steel industry we do not believe that a small organization such as Penn Seaboard Steel will be able to accomplish

much in the way of earning power and our advice is to dispose of the stock.

ORPHEUM CIRCUIT

Earnings Increase

Is there any likelihood of Orpheum Circuit common increasing its dividends? I notice that it is consistently earning more than its dividend requirement, and it seems to me the company could afford to distribute more of its earnings as it has a very attractive surplus. Why does the stock not show more market action?—A. C. M., Atlanta, Ga.

Orpheum Circuit for the six months ended June 30, 1925, reported earnings equivalent to $1.52 a share earned on the stock compared with $1.10 a share for the same period of 1924. Balance sheet as of June 30, 1925, shows a good financial condition with cash on hand of 1.4 millions and no bank loans. Under the circumstances, it appears that the management would be justified in paying a more liberal dividend than the $1.80 a share now being distributed, although we have no information to this effect. There are now a good many issues listed on the New York Stock Exchange and they cannot all be market leaders. Orpheum Circuit, while not very active, has a good market.

TEXAS COMPANY

A Good Oil Investment

Do you believe Texas Company is in a position to carry through the present troubles of the oil industry? I asked you some time ago regarding my holdings which averaged me around 40, and I am glad that I took your advice and held on, as the stock is selling at 48 at this writing. Would you advise me to increase my holdings if the stock should sell much lower?—L. M., San Francisco, Calif.

Texas Company stock can be regarded as a good oil stock investment as this company is one of the strongest organizations in the industry, being engaged in practically all branches from oil production to distribution to the ultimate consumer. Earnings in the first six months were highly satisfactory and as the company continues to carry its inventory at a figure considerably under the present market, it is unlikely there will be any inventory loss even though the price of oil should recede further. We believe the company will have no difficulty in contending with the current less favorable conditions in the oil industry. While we consider the stock favorably as a long pull holding it is never well to hold too many securities representing the same industry and instead of increasing your holdings in this issue suggest the purchase of some other sound common stock such as Philadelphia Company.

SUPERIOR OIL

Has Speculative Possibilities

I have about decided to sell my holdings of Superior Oil for what they will bring. Do you think this is a wise decision? I was dissuaded from selling out around 6 early this year by reports of an improvement in the company's business, but I understand the first half of this year turned out worse than the first half of 1924.—B. S. K., New York City.

Superior Oil of course is a speculative issue but at present levels of 3 it is not without possibilities for enhance-

ment in value. It is true that after deductions for depreciation and depletion there was a loss of $243,000 for the first six months this year, but on the other hand the company is in good financial condition and expects to collect a judgment from the Atlantic Refining Company which is nearly equivalent to the present market price of the stock.

TEXAS GULF SULPHUR

Please let me know what you think of Texas Gulf Sulphur stock. I have been holding a little of it and, now that the market is so high, I have been wondering if it would not be a good idea to sell it and buy something else.—K. L. F., New York City.

With the retirement of the Union Sulphur Company, owing to the exhaustion of its deposits, the Texas Gulf Sulphur Company has became the dominant factor in the industry. Its cost of production is considerably under that of its nearest competitor and its output very much greater. Of course, in holding a stock of this character, due consideration must be given to the matter of decreased reserves, but, with this feature in mind, considering the charge-offs for depletion which have been made, the dominance of the company in the industry and the use of sulphur in so many commercial channels, we feel the stock is a suitable media as a speculative holding. Sulphur is coming in increased demand in various industries. With its high earning power and low costs, the directors were justified in recently increasing the dividends to $8 per share, and the yield of 7%, even on basis of present price of around 114, is satisfactory. We feel you are justified in retaining the stock.

CONTINENTAL MOTORS

Outlook Appears Favorable

What is the outlook for Continental Motors in view of the price war that appears to be developing among the manufacturers of motor vehicles? Are the companies which deal with Continental among those most likely to increase their business as the result of the new sales policies?—C. G., Boston, Mass.

The outlook for Continental Motors for the balance of the year appears favorable. Several of the company's largest customers have increased their schedules, and in addition, negotiations are said to be nearing completion for two large contracts, one with a foreign manufacturer and the other with one of the largest producers of commercial vehicles in the country. In regard to the recent price cutting, this policy has been followed by several of the companies using the Continental products, and will probably stimulate business to a certain degree. Continental Motors has found an important place for itself in the automobile industry, and we believe that the company will continue to hold its own.

Future Plans for Our Readers See Page 791

BRANCH OFFICES OF N. Y. STOCK EXCHANGE FIRMS VS. CORRESPONDENTS

(Continued from page 802)

only one concern. This simplifies matters greatly.

Whenever Stock Exchange houses open branch offices in a large distant city they are apt to draw business away from the local houses because clients often feel that they would prefer to deal direct with a New York Stock Exchange house, particularly if the local house is none too popular or none too strong financially. The opening of one such branch house leads to others. There is very keen competition among big wire houses, and when a large New York house feels that business is being taken away from its out-of-town correspondent and diverted to the branch of another house, the tendency is to meet the competition by opening its own branch office.

A glance at the accompanying map showing the locations of branch offices makes it appear that the east is pretty generously besprinkled, but if we were also to designate cities in which correspondents are located, it would practically include those of any size in the United States, for scarcely any locality of any importance is without direct private line connection with New York. There are only about fifty-five cities of over 30,000 population without branch offices of New York Stock Exchange firms, excluding cities which are part of large metropolitan areas. There are no Stock Exchange branch offices in Vermont, North Dakota, South Dakota, New Mexico, Arizona, Utah, Nevada, Wyoming or Idaho.

There are branch offices in one city only of New Hampshire, Delaware, Mississippi, Wisconsin, Oregon and Montana. The states of Maine, Rhode Island, Maryland, Alabama, Louisiana, Nebraska and Colorado have branch offices in two cities only.

Taken by and large, it will be seen that the country is well supplied with facilities for those who desire to deal on the New York Stock Exchange, for even in remote districts there are telephone connections that enable almost everyone to keep posted on the market and to have his orders executed.

The ability of a house to hold its correspondents or to maintain a successful branch office depends largely on two factors: service, and what is known as "treatment." Service means the rapid and satisfactory execution of orders, the transmission of reports, delivery of securities when required, prompt transfer of stocks and many other details which the New York house is called upon to execute. The other item of "treatment" refers to the liberality with which the main house deals with the clients of its branches or with the out-of-town correspondents This covers the matters of margin,

liberality in the settlement of disputes, careful attention to the clients' or correspondents' interests, all of which result in good or ill will being generated. The rate of interest charged on accounts plays a large part.

Altogether it may be said that the out-of-town business of New York houses is on a very satisfactory basis. Competition is sufficiently keen to keep the New York houses on their toes and insure the right kind of service, and local competition for clients is of the same character. While people are apt to favor houses in which they have friends, or close business connections, they are not likely to continue dealing with a concern that does not give satisfactory service and treatment and this results in the gradual building up of those houses which meet these requirements and the dissolution of those that do not. It is a question of the survival of the fittest.

WHAT THE NORTHWESTERN ROADS WOULD EARN IF FREIGHT RATES WERE INCREASED

(*Continued from page* 813)

Although there will be a direct improvement in the borrowing capacity of these roads, the major reaction upon investors will be psychological, a factor by no means to be underrated. The greatest drag upon the market for railroad securities has been the fear of arbitrary action, the belief that for these servants of the public no bill of rights exists. Rate relief, therefore, even though not fully adequate, would tend to lessen and more probably entirely remove this apprehension.

Naturally, the effect upon the stocks would be more pronounced than upon the bonds. Reference to the tables will reveal that due to large capitalization per share earnings have a tendency to advance rather slowly. This is equally true of a decline and by virtue of the fact permits the company so capitalized in all conservatism to pay in dividends a far larger proportion of earnings than can properly be attempted by roads with less well balanced financial structures. In other words, the road with large issue of capital stock can retrench further in a short period of time than can others in a much longer period. This broad stock base is more pronounced in the case of the Great Northern and Northern Pacific than in the case of Chicago & North Western, ceasing to be apparent as far as the Omaha is concerned. The effect in descending order is to materially increase both the risk and the potential speculation.

The conclusions as to credit of the carriers are predicated upon the belief that there will take place no enforced pooling of rates, which it is feared would result in an exactly antithetical psychology. In illustration, consider

briefly the logical attitude of, for instance, the Chicago, Minneapolis, St. Paul and Omaha stockholder. While under the pooling arrangement the revenues of his property will actually be increased, he will retain but a portion of the increment and the balance will be applied to the benefit of some more fortunate investor. A firm conviction of having been cheated and apprehension of the next arbitrary step would be the net result—a frame of mind not very bolstering to corporate credit or very conducive to a belief in the integrity of railroad investments. The remote nature of any such development warrants its dismissal with this illustration.

Many reasons, variously stressed, depending on the viewpoint of the individual commentator have been propounded in explanation of the troubles of the carriers of the Northwest. These include inadequate rates, Panama Canal competition, excessive railway mileage, automobile competition, static population, and local depression. By common consent, the necessity of increased rates is made the *causa sine qua non* of the situation. Probably the only other consideration which can be accorded an absolutely basic standing is that of local depression. Rates will explain the failure of Western roads to earn more than 3.87% in 1924.

The other well established fact must be taken in explanation of lines in the Northwest region earning but 3.12% against 4.21% and 4.34% for the Central and Southwestern regions respectively. The opinion is advanced that the gravity of the difficulties under which the Northwest has labored in recent years has been quite generally underestimated, and more particularly in its effect upon the revenue tonnage of the railroads. The failure about a year ago of some 200 banks in this territory gives a fairly adequate picture of the condition of affairs. The community is primarily and fundamentally an agricultural one and has suffered not only from the low price of farm products, but in many instances from serious crop failures. Last year furnished some measure of relief, which has already resulted in liquidation of frozen credits, and increased tonnage to the railroads in the first half of the current year.

Competent opinion, however, has estimated at a rather low figure the average price received by the farmer for his last year's crop due to his distressed position and the consequent necessity of realizing cash early in the season. The result of this year's yield can now be determined with some degree of accuracy and the Northwest is promised a satisfactory crop, apparently to be realized at prices which will multiply the purchasing power of the community. It is believed that both the direct and indirect effect upon the traffic of the Northwest carriers in the ensuing 12 months will be astounding. Both the law of averages and the economic trend should conspire to invest this improved position with a continuing character.

"THE SCHOOLS SHOULD TEACH FINANCE."

(*Continued from page* 833)

had already been considered by the classes, and we discussed the difference between the two as investments. This afforded an opportunity to discuss the difference between investment and speculation, and to point out the danger of speculation in "wildcat" stocks for those building for a future income. The different kinds and types of stocks and bonds were explained. The importance of "budgeting" the income was emphasized, and using one of the familiar family budget forms, the class practiced devising model budget plans for different incomes, and the setting aside of certain percentages for savings. Finally, the classes worked out some simple plans for acquiring a competency, using stated monthly savings as a basis and figuring out the principal sum over a period of years.

A Splendid Response

The response of the students was splendid and they were very much interested in the work. At different times during the year students would tell me that they had opened savings accounts as a result of the idea secured from the course, and at the end of the year as we were completing the subject many of the pupils expressed their appreciation of what they had learned.

Teaching the rudiments of Finance is simply a part of the larger problem of teaching thrift. And thrift is a state of mind and of character. As such it can be inculcated through the usual means of education.

As I stated before, I believe thoroughly that the school is the logical place for such instruction. In the elementary grades it could be introduced through school savings, examples of thrift practices, stories of thrift, etc. In the high school, the study of thrift should be coordinated with the study of business facts, and be brought in with a discussion of banking, business organization, investments, insurance, etc.

The Rudiments of Finance Can, and Have Been Taught

The rudiments of Finance can be taught—they have been taught—they should be taught. Such training is character training of the finest type. When financial knowledge is linked with thrift practices, it leads to mental poise, intellectual development, and gives the individual that confidence that comes from a mind free from the pinch of improvidence.

We teach our children the duty of conserving the great natural resources of our country. We must teach them the duty of conserving their own individual resources.

OPPORTUNITY BECKONS THE YOUNG MAN OF TODAY

(*Continued from page* 831)

about which he knows or can learn something, and, regardless of what the cynics or unsuccessful gamblers may say, it is knowledge that counts.

Chances for Little Businesses

If high executive positions do not appeal, or if security-speculation does not appeal: Still the field is not closed. The young man who hungers to go into business for himself can do so today with perhaps greater assurance than his grandfather could; he has, if anything, far more opportunities.

Of course, he will probably have to start out in a small way; and he'll have to thrust aside, at least for the time, such things as petty pride.

I am reminded of the reception accorded a suggestion that was made to one young man in my presence along these lines. "These refreshment booths we pass when motoring," said the suggester, "Don't you think if someone thought just a little bit, he could design a type of booth that would be infinitely more attractive than what we now see? Why don't you tackle that?"

"Refreshment booths!" cried the youngster, "You mean these hot dog stands the dagoes run? You wouldn't expect me to go into anything like that, would you?"

As a matter of fact, the suggester didn't have "hot-dog stands" in his mind. What he was thinking of was something attractive, clean, well-stocked and well-manned—and which would be especially distinctive in that motor cars could see it from a distance, could enter without risking a collision with all the other traffic on the road, and could be served, at the same time others were being served without alighting from the car.

But what was the use of going further into the idea? The young man was petty-proud—and there's no beating that. It would have been equally useless to have reminded him that the Astor fortune had its beginnings in a butcher shop; that the original Commodore Vanderbilt once commodored nothing more pretentious than a barge; that Charles M. Schwab began life as a bus driver.

Nowadays, our young men are inclined to leave such humble beginnings to the immigrants who have not yet learned that lily-white hands are more to be desired than financial independence. It is to these latter we must look for opening up the countless little businesses which America needs; it is they who will roll up the wealth which so many of these little businesses have produced—and will produce in the future.

Important Dividend Announcements

Note.—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the closing of the company's books.

Ann'l Rate			Amount Declared	Stock Record	Payable
..	Amer. Chicle $7 Pf.	4 mos.	$2.33	9-15	10-1
$7	Amer. Locomotive Pf.	Q	1.75	9-14	9-30
8	Amer. Locomotive cm.	Q	2.00	9-14	9-30
7	Amer. Sugar Refin. Pf.	Q	1.75	9-1	10-2
6	Amer. Rys. Express	Q	1.50	9-15	9-30
4	Atlas Powder cm.	Q	1.00	8-31	9-10
7	Burroughs Adding Machine Pfd.	Q	1.75	9-15	9-30
3	Burroughs Adding Machine cm.	Q	.75	9-15	9-30
4	Canadian Pacific pf.	S	2.00	9-1	9-15
10	Canadian Pacific cm.	Q	2.50	9-1	9-15
..	Calumet & Hecla		.50	8-31	9-15
7	Continental Can. pf.	Q	1.75	9-19	10-1
4	Cuba R. R. cm.	Q	1.00	8-29	9-30
7	Crucible Steel pf.	Q	1.75	9-15	9-30
6	Eastman Kodak pf.	Q	1.50	8-31	10-1
5	Eastman Kodak cm.	Q	1.25	8-31	10-1
8	Famous Players-Lasky cm.	Q	2.00	9-15	10-1
.80	Federal Lt. & Trac. cm	Q	.20	9-15	10-1
.60	Federal Lt. & Trac. cm pay. cm. stk.	Q	.15	9-15	10-1
8	Foundation Company	Q	2.00	9-1	9-15
8	Goodyear Tire & Rubber pr. pf.	Q	2.00	9-15	10-1
7	Goodyear Tire & Rubber pf.	Q	1.75	9-15	10-15
7	Jewel Tea pf.	Q	1.75	9-19	10-1
..	Jewel Tea pf. on a/c cum.	div.	2.25	9-19	10-12
8	Laclede Gas cm.	Q	2.00	9-1	9-15
4	Long Bell Lumber Cl. A cm.	Q	1.00	9-10	9-30
10	Lord & Taylor cm.	Q	2.50	9-17	10-1
1.89	Metro-Goldwyn pf (par $27)	Q	0.47¼	8-31	9-15
3.50	Radio Corp. of America pf.	Q	0.87½	9-1	10-1
1.40	Shell Union Oil	Q	.35	9-7	9-30
6	Southern Pacific Co.	Q	1.50	8-31	10-1
4	Standard Gas & Elec. 8% pf. (par $50)	Q	1.00	8-31	9-15
4	Union Pacific pf.	S	2.00	9-1	10-1
10	Union Pacific cm.	Q	2.50	9-1	10-1
7	United Cigar Stores pf	Q	1.75	9-1	9-15
2	United Cigar Stores cm	Q	0.50	9-15	9-30
..	United Cigar Stores cm. stock div. in com.		0.31	9-15	9-30

WHAT DO YOU THINK OF THE STOCK MARKET?

(*Continued from page 799*)

market alive, short of a panic, that has not got these activities as a reasonable percentage of all activities. The only reason that men reel off this talk is to show that they are insiders and that they can see behind the works. A market that is spotty will have many of these features, but that is fundamentally because it is spotty. There is no answer to a basic analysis, even if the public happens to share it with the technical man in the field. I am bearish and perhaps not until late Fall, but certainly before the end of the year, I look for some unpleasant surprises from Europe. They have gilded the rotting structure with faked currency stabilization and faked budget balancing, but murder will out, and if the facade collapses, we will feel the shock."

(11) *College professor in philosophy.*

"The layman who follows the stock market is always confused by the hundreds of contradictory opinions he hears from men apparently equally informed and competent. I have read many of their opinions and am trying to sep-

arate the wheat from the chaff. It appears to me that a downward tendency is inevitable in the near future. The foundation of a speculative market is not so much in the way in which it discounts business, as in the fact that it is part of a speculative cycle generally. That is, you now have intensive real estate booms, high prices for bonds, commodities at the least are not declining; money is abundant for speculation. Let any element in this cycle weaken and the props may be suddenly pulled from under. I attach great significance to the lowered prices of bonds. Their prices could not be lowered at all if the price of money would tend to remain at its late low level. Once money commands a premium, nothing more than an extreme business boom could possibly hold the market up. That is, unless the stock market is part of a great speculative cycle it is doomed. There is no sign anywheres of such a hectic movement, and the present high prices have more than discounted a moderate possible increase in earning power generally. Since this has been discounted, and nothing better appears in sight, there is no rational basis for the continuance of present quotations. You do not have to have the public involved heavily to have a depression in security prices. You need that only for a melodramatic collapse. But we have seen pretty bad recessions without such dramatic collapses."

(12) *Retired Banker.*

"The market ought to hold up as long as the business outlook is good and improving. It seems to me that industrial conditions will reach their greatest activity in the Fall and, as usual, the market will by that time has reached or passed its peak. At present it is a highly specialized, selective market. It is also largely professional, that is to say, the public doesn't seem to be taking an unusually large interest in it. The good stocks are closely held because people have confidence in the future. This makes for a small floating supply and accounts for the ease with which individual securities are pushed upward. This kind of market, in my opinion, will continue for a while longer but it does not seem to me advisable to buy stocks at these levels except for quick speculative profits and then only when you have pretty good reasons to back your faith."

(13) *Wall Street Statistician.*

"The day of bargains is obviously passed. A good many stocks, especially some of the utilities, are dangerously high. On the other hand, certain stocks in this group are still attractive and should do better on investment merit. The same thing may be said to apply to the dividend-paying rails. These stocks have sold considerably higher in times past and ought again reach prices to bring these issues to an investment basis. The outlook for the railroads is good. There is no very

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BOND RECORD

a convenient record book for listing bond holdings, interest payments, profits, etc. Title heading of book, "My Investments." A limited number is being distributed gratis by a leading Bond House. (285).

THE FORMULA OF SAFETY

The salient features of this Formula of Safety as developed by an old established Bond and Mortgage House, are here set out for investors who would think before, rather than after, placing their funds. Ask for (327).

serious agitation for a lowering of rates and the roads are permitted, by law, to show 5¾ per cent on valuation. This means a good average income over dividends. The trend now appears to be strongly in the direction of consolidations which should also help the rail shares. So far as the outlook for money is concerned, I look for slightly higher rates but that means greater business activity. I do not think money rates will go up very much however, nor do I see any reason to look for a serious break in the price of the better class of stocks, I refer to those that have not been exploited from the purely speculative standpoint."

(14) *Professional Trader.*

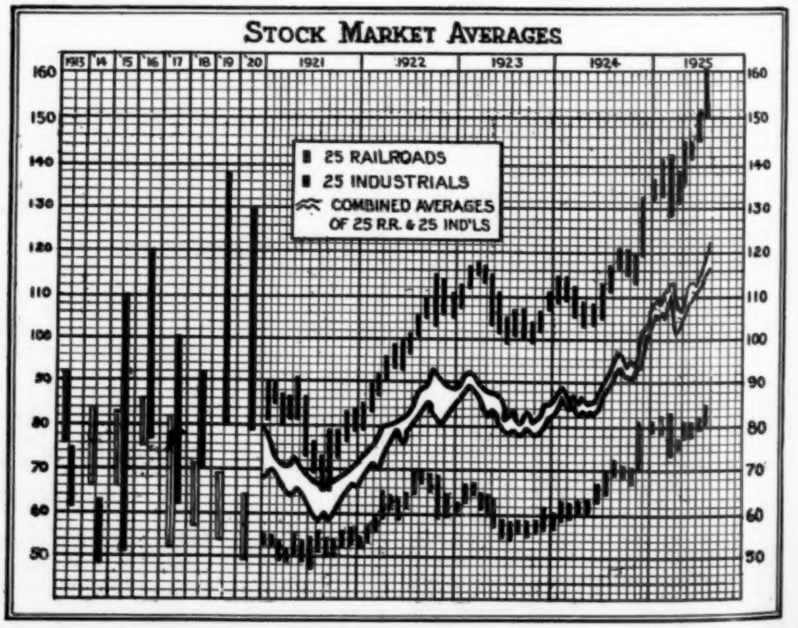
"The risk involved in following the market at these levels is too great to justify the average man in carrying heavy commitments. I have cut my speculative holdings to a minimum because a good deal of distribution has undoubtedly been going on. My belief is that the ordinary trader should clean house and leave the market alone at these levels. Of course, it is difficult to give any definite reasons for expecting a turn beyond the fact that a great many stocks have been boomed to extremes, but when the end does come it is likely to be sudden because the speculative issues are so obviously inflated. At least that is my opinion."

(15) *Wholesale Jeweler.*

"The market seems to have reached a high level but when I ask myself what is to prevent it from staying at these prices or going higher, I can't find an answer. There is nothing in the outlook for business to cause apprehension so far as I can see. My belief is that the bull market won't come to an end until we see more public interest in speculation and increased activity. The market is much bigger than it used to be and million share days haven't the significance they once had. In other words, I expect the market ultimately to reach the point where it will collapse more because of excessive speculation than on account of business or money conditions."

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N.Y.Times 50 Stock High	Low	Sales
Thursday, Aug. 6..	83.55	135.71	99.78	118.06	116.85	1,379,075
Friday, Aug. 7...	83.56	137.40	100.63	118.43	117.01	1,593,013
Saturday, Aug. 8..	83.54	137.98	100.63	118.85	118.00	698,550
Monday, Aug. 10..	83.53	137.41	100.58	118.70	117.50	1,281,312
Tuesday, Aug. 11..	83.53	137.80	100.58	119.29	117.46	1,440,985
Wednesday, Aug. 12	83.52	137.48	100.83	119.10	117.68	1,467,170
Thursday, Aug. 13.	83.64	138.60	101.23	120.00	118.48	1,389,526
Friday, Aug. 14...	83.79	139.51	101.88	121.17	119.98	1,335,526
Saturday, Aug. 15.	83.67	140.20	101.99	121.23	120.26	537,600
Monday, Aug. 17..	83.75	141.56	103.28	122.15	120.16	1,553,620
Tuesday, Aug. 18..	83.74	142.60	103.30	122.93	121.23	1,749,125
Wednesday, Aug. 19	83.75	141.82	102.96	122.84	121.16	1,577,917



Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Aeolian Co. pfd. (7)	80	— 85
Aeolian Weber	17	— 22
Aeolian Weber pfd. (7)	88	— 93
Sr. Pfd.	10	— 14
Alpha Port. Cement (6)	130	—135
American Arch (5P)	115	—120
American Book Co. (7)	135	—140
Amer. Cyanamid (4P)	98	—105
Pfd. (6)	80	— 83
Amer. Thread pfd. (¼)	3¾	— 4
Atlas Port. Cement (4)	50	— 52
Babcock & Wilcox (7)	143	—145
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	103½	— ..
2nd Pfd. (7) G	95	— ..
Borden Co. (4) ....New	80	— 82
Pfd. (6)	106	— ..
Bucyrus Co. (5)	182	—186
Pfd. (7)	103	—107
Celluloid Co.	22	— 26
Pfd. (8)	68	— 75
Congoleum Co. pfd. (7)	102	—104
Crocker Wheeler	..	— 24
Pfd.	..	— 77
Devoe & Raynolds (6P)	130	—135
2nd Pfd. (7)	96	—100
Eisemann Mag. pfd. (7)	42	— 47
Eisenlohr (Otto) Bros.	13⅝	— 13⅞
Pfd. (7)	83	— 88
Franklin Rwy. Sup. (K)	91	— 95
Gen. Optical pfd. (3½)	29	— 30
Gen'l Rwy, Sig. (6½s)	295	—305
Hale & Kilburn pfd (½)	14	— 17
Ide (Geo. P.) & Co., Inc.	5	— 8
Pfd. (8)	62	— 67
Jos. Dixon Crucible (8)	146	—148
Johns-Manville, Inc. (3)	168	—171
Knox Hat	53	— 55
2nd Pfd.	57	— ..
Pr. Pfd. (7)	88	— 93
Lehigh Port. Cement (3)	85	— 90
Metropolitan Chain Sts.	44	— 46
1st Pfd. (7)	103	— ..
2nd Pfd. (7)	99	— ..
McCall Corp.	100	— ..
Pfd. (7B)	120	— ..
Nat'l Fuel Gas (6)	111	—113
New Jersey Zinc (8P)	190	—192
Niles-Bement-Pond	32	— 36
Pfd.	62	— 68
Phelps Dodge Corp'n (4)	108	—112
Pierce, But. & P'ce (8)	115	— ..
Pfd. (8)	95	—100
Poole Eng'g (Md.)		
Class A	8	— 12
Class B	8	— 12
Richmond Radiator Co.	20	— 25
Pfd. (7)	108	—115
Royal Bak'g Powder (8)	136	—142
Pfd (6)	102	— ..
Safety Car H. & L. (8)	111	—114
Savannah Sugar (6)	125	—128
Pfd. (7)	107	—110
Sheffield Farms (6)	200	— ..
Pfd. (6)	98	—101
Singer Mfg. Co. (10P)	277	—283
Singer, Ltd. (¼)	7	— 8½
Superheater Co. (K)	145	—150
Technicolor, Inc.	5½	— 6½
Thompson-Starrett (6)	100	— ..
Pfd. (8)	100	— ..
Victor Talking Mach.	78	— 81
White R'k 2d Pfd. (6P)	180	—220
1st Pfd. (7)	98	—103

*Dividend rates in dollars per share designated in parentheses.

B—Arrears being discharged at rate of 7% annually in addition to regular dividend rate.

G—Guaranteed as to principal and dividend by Amer. Type Founders.

K—Dividend rate not established.

P—Plus extras.

WITHOUT question, General Railway Signal 6½s have been the feature of the securities in the over-the-counter group. This is due, of course, to the fact that these bonds are convertible into common stock, par for par. Readers of this department will recall that General Railway Signal's securities were brought to their attention a few months ago, prior to listing of the common and preferred shares on the "Big Board". Subsequent action of the common stock and convertible bonds has fully justified the confidence of this department. The company reports net profits in excess of $17 a share for the first six months of the current year. From present indications, earnings will total better than $30 a share for the full twelve months inasmuch as some large contracts have been secured recently. It would seem again advisable to remind holders of the 6½% bonds that these should be exchanged for common stock (provided they desire to hold the latter), in accordance with the conversion clause, prior to October 1, 1925. On that date, the entire issue is to be retired at $110 so that neglect to convert will mean a lost opportunity.

OTTO EISENLOHR BROS., INC.

This newest addition to the Department is a manufacturer of popular priced cigars, including such brands as "Cinco", "Henrietta", and "Webster." The business is three-quarters of a century old, but was not organized as a corporation until 1916.

The company's manufacturing facilities and properties, owned and leased, comprise eight cigar factories and eleven warehouses in the States of Pennsylvania and Wisconsin. In addition to these, it has stripping factories at York, Lancaster, Reading and other points in Pennsylvania.

Two years ago, with the death of Louis Eisenlohr, direct descendant of

its founder, the business passed to control of new interests. Mr. S. T. Gilbert, president of Otto Eisenlohr Bros., brought, in addition to his services, control of the business and assets of the Webster Cigar Company which were acquired by Eisenlohr with the change in management.

Dividends on the old common stock were paid at the rate of 4% from 1917 through 1919. In 1920, payments were increased to 4½% and the following year the rate was again raised, bringing it to 5%. Disbursements were continued on this basis until the third quarter of 1924. They were then suspended, largely in reflection of inventory difficulties carried over from the memorable deflation period of 1921.

Write-offs on this account may be held responsible for the drop in earnings from an average of $12.53 a share for the common stock in the period 1919-1921 to $4.39 a share in the following three years. After meeting payments on the preferred stock, a loss of $29,124 was shown last year.

The new management has inaugurated savings, however, which should be reflected in future results. Sales have been aided by the merger with the Webster Company and the inventory situation appears to be well in hand. This is evidenced by the reduction in this item [illegible] 7.34 million dollars, as of June 30, 192[illegible], to approximately 4.1 millions at the close of December 1924.

Eisenlohr's balance sheet, on the last named date, showed working capital of 2.98 million dollars compared with 4.66 millions the year before. This reduction in liquid assets is to be accounted for, evidently, by appearance of an item totaling 1.67 millions, representing investment in connection with the acquisition of Webster Cigar. Notes payable, at the same time, increased from $820,000 to 2.16 million dollars.

The company, however, is free from funded debt. There are 22,543 shares of $100 par value 7% cumulative preferred stock ahead of the 6.0 millions common. The original $100 par value shares were exchanged for new stock of $25 par value in January, this year, so that there are now 240,000 shares outstanding.

According to the company's 1924 balance sheet, this issue has a net tangible asset value of $14 a share excluding the item of 5.0 millions goodwill. If this latter account be included, the common stock has an indicated book value of $35 a share.

Dividends on the 7% preferred stock have been maintained without a break since the present company was formed. In reflection of last year's earnings slump, this issue is now obtainable around 87 to yield 8.1%. The common stock is currently quoted around 14.

Inasmuch as the company's principal difficulties appear to be past history, both securities should be responsive to probable future recovery in earning power, although the company will doubtless build up a stronger working capital position before giving consideration to renewal of common dividends.

NOW COMES THE SOFT DRINK INDUSTRY

(*Continued from page 820*)

million dollars of which $930,696 were cash and government securities. Current liabilities totaled but $36,440 so that ratio of the former item to the latter stood at more than 40 to 1. Since the nature of operations is such that relatively small working capital is required, it is evident that the company is happily situated. It can well afford to distribute a substantial share of profits to stockholders without the necessity of first building up the asset position.

Despite the potential value of its properties and the increasing demand for White Rock products in late years, the company seems to have made little of its opportunities until comparatively recent times. Dividends on the common shares were resumed in July, 1923, after a lapse of 15 years. The last previous payment to common stockholders was made in 1908 when 1% was disbursed on the old $100 par shares.

The business was revived by inauguration of new methods some five years ago, since which time its progress has been impressive. Sales increased from 1.87 million dollars in the fiscal year ended June 30, 1921, to 2.92 millions in the past calendar year. Net income jumped from $286,004 to $889,400.

Net available for dividends on the common stock was equal to $2.55 a share in 1923 and $2.99 last year. Earnings for the first six months of the current year continued to reflect expansion in sales and profits, being equivalent to $1.96 a share. Indications are that the full twelve months will show a balance of approximately $5 for the junior issue. These figures, it is interesting to note, are after allowance for full participation of the second preferred.

This participation feature is most unusual. After the second preferred has received its regular 5% dividend and the common stock $1 a share, the second preferred may then receive additional payments in the ratio of $5 for each dollar extra paid on the common. Under this provision, the common is now being paid regular dividends of 30 cents and extras of 20 cents a share quarterly. The second preferred is receiving $1.50 regular and $1 extra each quarter.

White Rock first preferred around 102 a share yields 6.9%. It is entitled to an investment rating. The second preferred, recently quoted 180-240, to yield 4.2% on the asked price, still appears to possess speculative attraction as a long pull holding. The common stock has an active market on the New York Stock Exchange. Though this issue likewise offers a small income return—4.4%—on recent market prices around 45, it does not seem to have exhausted its speculative possibilities.

Bank and Insurance Stocks

Quotations as of Recent Date

National Banks:

	Bid	Asked
American Exchange (16)	435	445
Chase (20A)	477	483
Chatham & Phenix (16)	328	334
Chemical (24)	668	678
City (20A)	489	495
Commerce (16)	377	385
First (N. Y.) (100A)	2900	2950
Garfield (15)	365	380
Hanover (24)	1075	1125
Harriman (20)	480	512
Mechanics & Metals (20)	420	428
Park (24)	505	515
Public (16)	497	504
Seaboard (16)	590	610

Trust Companies:

	Bid	Asked
Bankers (20)	500	505
Central Union (28)	900	915
Equitable (12)	303	308
Farmers L. & T. (16)	570	590
Guaranty (12)	375	385
Irving Bk.-Col. Tr. (14)	290	300
Manufacturers (16)	430	450
United States (60)	1830	1875

Insurance Companies:

	Bid	Asked
Aetna Fire (24)	600	610
American Surety (6.50)	143	147
Carolina (1)	36	38
Continental (6)	113	115
Fidelity-Phenix (6)	165	168
Glens Falls (1.60)	38	39
Globe & Rutgers (28)	1325	1375
Great American (16)	282	285
Hanover (5)	175	183
Hartford Tire (20)	585	592
Home (18)	352	355
Milwaukee Mech. (2.20)	41	43
National Fire (20)	740	750
National Surety (9)	208	212
Niagara (10)	250	255
North River (4)	110	114
Stuyvesant (6)	218	223
Travelers (20)	1390	1410
United States (4.80)	140	145
Westchester (2.50)	44	45

Joint Stock Land Banks

	Bid	Asked
Chicago (10)	179	184
Dallas (10)	166	174
Des Moines (9)	153	157
Kansas City (10)	175	181
Lincoln (9)	155	162
South Minnesota (10)	167	174
First Carolinas (8)	127	132

(A) Includes dividends from Securities Corp.

THE feature of the bank stocks market in the last fortnight was American Exchange. There were no developments to cause this upward movement of 40 points, but it is felt that the general upward tendency which has continued all month will bring it to still higher levels. Temporary recession, though, is looked for before it resumes its climb. The whole of the National Bank and Trust Company lists have veered upwards, the demand being unusually strong for this time of the year. A feature of the higher priced National Bank stocks was the Hanover whose advance of 60 points is due to the general belief that a stock dividend of generous proportions is imminent this fall.

Among the trust companies the most substantial gain was by Manufacturers Trust, the advance being fully 35 points. There appears to be no specific reason for its selling so much ahead of the list except for the belief that it will follow its policy of absorbing small banks, and that several announcements are in the offing. The great earnings, large surpluses and recent mergers in the bank field have made that market

an arena of rumors which the large buying interest is only too anxious to believe. In practically every case, though, there has been a large measure of justification for such rumors, and much that passed for gossip has proven to be fact.

Insurance stocks have not shared the buoyancy of the bank and trust company securities and the market became more specialized, losses being as common as gains. Home Insurance declined on the publication of its semi-annual report. This revealed a reduced surplus. Globe and Rutgers has reacted considerably; the bid is now 75 points below that several months ago. There is a general feeling that the stock was stimulated by a selling group, and that it has now reached the level it should hold to when left to its own devices. Among the surety and casualty companies the market has been spotty; a good statement of the New York Casualty Company led to a four point advance over what had been a stable quotation for a long time.

The one factor that has been lowering prices somewhat in the insurance stocks has been the rather poor underwriting situation in 1925. There have been some losses, and the effect on underwriting profits has been rather adverse. It is undoubtedly true that underwriting losses and gains about balance out in a series of years, but an unfavorable underwriting year always acts as a depressant of stock prices.

Competition is bringing the insurance companies to a point where underwriting will probably be done at no profit at all. Companies will rely entirely upon income from investments and from gains in the capital values of investment. Capital gains and losses in investments are not so crucial a test as the income from investments per share of stock in the insurance company.

A notable instance of an excellently managed company is the Hanover of New York whose $5 dividend is earned nearly three times by the company's income from investments alone, not to speak of other income. The foundation of all investments being the unearned premium account, the progress of this account is the true index of the company's investment capacity.

ARE PUBLIC UTILITY HOLDING CO. STOCKS TOO HIGH?

(*Continued from page* 815)

is formed to hold the 20,000 shares of common stock of the XYZ Company, that is, owns assets of a nominal value of $2,000,000. Suppose now that it issues $1,000,000 worth of 6% debenture bonds and $600,000 of 7% preferred stock, and $400,000 of common stock of $100 par, and that all its revenues were derived from the income it received in the form of dividends on the $2,000,000 of common stock of the XYZ Company which were all the assets it owned, and that the latter paid out all it earned in dividends. Then its income statements for 1922 and 1927 would compare as follows, if it likewise doubled its bonds and preferred stock outstanding to keep pace with the property.

	1922	1927
Gross Revenue	$270,000	$540,000
Debenture Bond Interest	60,000	120,000
Preferred Dividends	42,000	84,000
Balance for 4,000 shares of common	$168,000	$336,000
	or $42 a share.	or $84 a share.

By using one margin to finance another margin, therefore, the holding company stocks may show enormous earnings per share, while the operating properties may be earning only 7% on their actual investment of $10,000,000, assuming there has been no watering. Through the use of the holding company, $400,000 now control $10,000,000 worth of property.

The same process can be carried a step further, and through the formation of a third company, the XYZ Investment Corporation, which also issues bonds and stocks, the entire $10,000,000 worth can be controlled through $80,000 in common stock of the super-holding company, which might show earnings of $150 or $200 a share.

The method is the same—issue bonds and preferred stocks to pay for property expansion and provide cash for purchase of common stock control, constantly thinning out the equity but showing greater earnings per share, which in the long run determines the market price. As earnings of the underlying property improve, they are translated into proportionately greater earnings per share of the holding company.

Of course the trouble with this is the same as with all margin situations—they are all right when earnings are going up, but suppose they should go

down? The electrical industry has not suffered a serious reverse in thirty-five years; it has constantly been expanding its output, finding new markets and cheapening its price. Rate-making commissions have had no occasion to talk rate reductions because of the breath-taking speed with which the industry has developed.

But any one of a dozen unfavorable factors may develop within the reasonably near future. The profits of the holding companies themeselves may excite a demand for reductions; the progressive technical improvement of the industry may be found to be slackening its pace; administrative centralization may be found inefficient beyond a certain point, interest rates or construction costs may rise sharply.

The accompanying figures indicate strongly that the present prices of the securities in question are not based on past earnings or on the present; they are based solely on the assumption that the future will continue to be like the past, with respect to rapid increase of earnings. Even without a reversal of trend, if there is only a slackening of the pace, present prices for holding company common stocks may seem very high later on. If such stocks resemble a thin margin account in showing big profits when things are booming, they may also resemble a thin margin in dropping off sharply when things go against them, or at least do not go with them as rapidly as before.

Turning from theory to the inspection of an actual company, let us take the Standard Gas and Electric company as a typical holding company. We find that it holds the securities of the following companies: Coast Valleys Gas and Electric Co., Fort Smith Light and Traction Co., Louisville Gas and Electric Co., Mountain States Power Co., Northern States Power Co., Oklahoma Gas & Electric Co., and six other companies.

Some, such as the Coast Valleys Gas & Electric Co., are operating companies; others, like the Louisville Gas & Electric Co. or the Northern States Power Co. are sizable holding companies themselves.

As of June of this year, Standard Gas & Electric had outstanding $19,543,500 of its own funded debt, $35,000,000 of various preferred issues and 538,526 shares of no par common, valued in the market at about $30,700,000. Its subsidiaries had outstanding, as of Dec. 31, 1924, a total of $301,309,000 of bonds and preferred stock, in addition to common stock which in many cases is difficult to value because of lack of market.

In any case, the thirty millions of Standard Gas & Electric common control properties which must be worth much over 300 millions, as the capitalization of some of the holding companies which it controls must obviously represent operating properties of greater value than their own capitalization.

In addition, Standard Gas & Electric is typical of the great group of companies which not only own stocks of

subsidiaries and help in financing, but also carry on other functions for them, such as administration, engineering, management, etc. The relations between a set of public utility companies can in this way become very complex, as illustrated by the accompanying diagram of the group of companies operating in the neighborhood of Montreal, Canada.

Charges made by one company for services rendered by it to another are of course perfectly legitimate operating costs of the latter and "other income" of the former, but there is no question but that they make it difficult for outsiders such as investors, public service commissions or tax authorities to know exactly what is what, or even whether any given company is making or losing money.

This brings up the question of how far the public regulation of the utilities actually can protect the investor. Holding and operating companies stand in very different positions in this respect. The various commissions have the right and the duty of supervising the activities of operating companies, by law, and this has been construed to extend to control of their issue of securities. The holding company, however, operating no properties, is not under this restriction, and it is hard to say whether any governmental body could legally restrict the right of security-holders to do what they wish with securities (those of the underlying companies) once they have been issued, without infringing on the right to the free use of property guaranteed by the Fourteenth Amendment.

The holding company may therefore issue its own securities subject to its own good judgement. Should a commission, however, order a rate reduction which might imperil some of these securities, all more or less on a marginal basis as we have seen, the holding company would have the very legitimate claim that a public interest has been built up in such securities—life insurance companies, small investors, educational and philanthropic endowment funds, and the famous widows and orphans, have invested in these securities in the reasonable expectation that no governmental body would take any steps to injure an investment which had gone to build up a basic industry.

How effective such claims would be remains to be seen; as yet there has been no occasion for them. In any case, they would certainly be far less effective with respect to the common stock than to the preferred (particularly as sold under the "customer ownership" plea) or the bonds of holding companies.

In the meantime, as far ahead as can now be seen the outlook for the electric power and light industry is brilliant. Plans are under way for the construction of still larger steam generating stations, still longer transmission lines under still heavier voltages, interconnection will stabilize the supply of current and cheapen costs while demand keeps constantly increasing. Projects for hydro-electric development now

on file with the Federal Power Commission call for an addition of 20 million primary horsepower to the country's capacity, to build which will require an estimated $5,000,000,000 or nearly as much as all the existing capital investment put together.

From the point of view of the investor interested in the possibilities of holding company common stocks, which have attracted the most public interest by their spectacular performances in the recent past, extreme caution would seem to be the watchword. We have seen that such stocks are in the nature of equity margins on a mass of overlying securities; that present prices have already discounted much of the future, and that a real checkup on intrinsic values is impracticable in many cases because of the peculiar nature of the business. Under these circumstances, the investor should make sure that any such stock which he contemplates buying has something very special to recommend it before he takes any action.

Important Corporation Meetings

Philadelphia Traction	Annual	8-31
American Cyanamid	Pfd. & Com. Divs.	9-1
American Express	Dividend	9-1
Empire Gas & Fuel (Del)	Annual	9-1
Hercules Powder	Com.. Div.	9-1
Kresge, S. S.	Directors	9-1
Mack Trucks	1st Pfd., 2d Pfd., Com. Div.	9-1
Montreal Tramways	Annual	9-1
American Cigar	Pfd. Div.	9-2
Helme, Geo. W	Pfd. & Com. Divs.	9-2
Lehigh Valley R. R.	Pfd. & Com. Divs.	9-2
Lorillard, P.	Pfd. & Com. Divs.	9-2
Northern States Power Co.	Com. Div.	9-2
Pacific Tel. & Tel. Co.	Pfd. Div.	9-2
Pere Marquette Ry.	Prior Pref., Pfd. & Com. Divs.	9-2
St. Louis-San Francisco Ry	Com. Div.	9-2
Standard Gas & Elec.	Prior Pref. 6% Non-Cum. & Com. Divs.	9-2
U. S. Tobacco	Pfd. & Com. Divs.	9-2
Westinghouse Elec. & Mfg.	Dividend	9-2
American Steel Foundries	Directors	9-3
Keystone Tire & Rubber	Adjourned Annual	9-3
Penney, J. C.	Pfd. Div.	9-3
Reynolds, R. J.	Pfd. & Com. Divs.	9-3
Allis-Chalmers	Pfd. Dividend	9-4
Columbus Elec. & Power.	1st Pfd., 2d Pfd., Com. Divs.	9-4
St. Louis-San Francisco Ry	Special	9-4
American Beet Sugar	Directors	9-7
Endicott-Johnson	Pfd. & Com. Divs.	9-7
Loose-Wiles Biscuit	Directors	9-7
Northwestern Electric	Pfd. & Com. Divs.	9-7
U. S. Lumber	Dividend	9-7
American Brake & Shoe Foundry	Pfd. & Com. Divs.	9-8
American Chain	Directors	9-8
American Laundry Machine	Pfd. & Com. Divs.	9-8
Delaware & Hudson	Special	9-8
Elliott-Fisher	Pfd., Com. & Com. B Divs.	9-8
N. Y. Transportation	Dividend	9-8
J. R. Thompson Co.	Pfd. & Com. Divs.	9-8
Torrington Co.	Annual	9-8
Western Union Telegraph	Dividend	9-8
Air Reduction	Dividend	9-9
Aluminum Co. of America	Special	9-9
Cluett-Peabody	Pfd. Div.	9-9
Carolina Power & Light	Pfd. & Com. Divs.	9-9
Johns-Manville	Dividend	9-9
Macy, R. H.	Pfd. Div.	9-9
N. Y. Central R. R.	Dividend	9-9
Yale & Towne	Dividend	9-9
American La France	Pfd. & Com. Divs.	9-10
Cincinnati Street Ry	Special	9-10
General Petroleum	Annual	9-10
International Tel. & Tel.	Dividend	9-10
Philadelphia Traction	Special	9-10
Southern Pacific	Directors	9-10
Victor Talking Machine	Directors	9-10
Westinghouse Air Brake	Dividend	9-11
American Cyanamid	Annual	9-12
American Milling	Directors	9-12

HOW TO KEEP YOUR BUSINESS IN LIQUID CONDITION

(Continued from page 811)

we'll say, placed in a prospective customer's home, listed among the receivables. Naturally, this is a confusing, and misleading practice, and is, fortunately, only found in rare instances of misguided management.

A safe, but not always an especially desirable form of receivables is a class which might be designated as public receivables. The amount of red tape necessary to get money in within reasonable time limits from municipalities, local improvement boards, and the like, is such as to make it necessary to have a large working capital to continue to serve public corporations. Through legal setbacks, and other clerical and financial disarrangements, concerns installing lighting units, sewers, etc., are often compelled to wait for months before payment is received in full, which not infrequently holds up other work which must wait until new funds come in to make further progress possible.

Following in the wake of the deflation, hundreds of small companies reached the limit of their banking accommodations, and to save their business enterprises, which were short of working capital, due to depreciation of inventories and bad accounts, the owners found it necessary to loan personal funds to the business. Thus there appeared items: "Receivable" which, when analyzed, represented sums of money which officers personally pledged to save the business. Conversely, "Payables" to officers, not infrequently appeared, which represented nothing more or less than sums already expended which were advanced to the business.

Insurance funds receivable, receivables from affiliated companies, where there are two companies practically controlled by one concern, are often misleading, and must be scrutinized with the greatest degree of care and foresight, if a true picture of the financial condition of the company is to be realized.

A valuable analysis of accounts receivable is best realized through a study made of them over a period of years.

If a comparative record of them is made, using the columnar form of recording, so that the volume can be easily visualized, variations noted, reflecting high and low points in the year's business, and an accurate appreciation of the course a business is pursuing is made possible.

Percentages can be figured such that the "off-peak" seasons can be anticipated, and budgets and sales policies can be arranged to meet the conditions which a comparative analysis indicates are periodic. Thus an effective control results profitably for the management in operating the business.

Today, the banker, more than ever before, is going back of the current ratio of two for one, and compares the accounts receivables in percentages with the merchandise inventories, and sales, to determine more accurately the direction a business is going.

Rates of Receivables to Turnover

If an investigation of the relation of receivables to merchandise discloses the fact that the receivables ratio has increased, there is an indication that there is a rapid turnover of capital, and that collections are good. Again, if the ratio of receivables to merchandise is lower, it would indicate that there was a slowing up in the turnover. Frequently, when the receivables have fallen off, after a comparison is made, it is disclosed that there is an over-inventoried condition.

Following the recent period of readjustment, the writer's attention was called to a wide range of business concerns which found that in the period of top prices, when anything would sell, the management had loaded up its shelves with a wide range of goods, which had subsequently been antiquated by changing styles, and newly created demands.

A highly regrettable custom, but one which it is difficult to remedy, is that of forcing the payment for goods at the end of the fiscal year that a "Show Front" financial statement will be forthcoming.

Forcing receivables in to pay off yearly bank loans maturing, or to make a more profound impression on Dun's or Bradstreets' with a view to securing a higher rating, is an unsatisfactory manner of conducting a business, and one which may prove misleading to the banker.

The prevalency of this practice comes from the fact that many corporations do business on a shoe string; their working capital is so low that, in order to pay at the bank, they must temporarily throttle their enterprise to liquidate funds which have been loaned them for short term purposes, but which the exigencies of business have forced them to use as working capital.

The way out of this threatening policy can only come by the preservation of a conservative program on the part of the banks which should encourage concerns short of funds to recapitalize in place of borrowing from the banks to continue to meet the pressing need for funds to cope with the ever increasing demands of their enterprises.

Are the Receivables Fresh?

From a reflective standpoint, banking experience indicates that there is hardly a more potent factor in determining the character of a receivable than that of the influence of the sales policy of a company. Are the receivables fresh? That is the question.

Compare your receivables with your

(Please turn to page 868)

merchandise sales and what do you find?

Well, if you have an increase in sales, and your ratio of receivables is low, it is an indication that collections are not what they should be, or that the sales terms have been voluntarily extended.

Again, when receivables mount upward over a comparative period of analysis, say for one year, it might indicate that the lines of merchandise were such that sales were not able to maintain their previous rate; or that there was a decrease in the extension of time in the terms of sale in the contract arrangements.

Then again, say the sales over a three-year period remained normal, but the receivables were considerably less. An investigation on the part of the banker or merchant might reveal the fact that the terms of sale had been materially changed, which, in turn, might alter the character of the business being done.

All these factors when dovetailed, in a well-rounded analysis of a statement, present a valuable picture of a credit risk, and will, if taken advantage of by the management of a concern, help him to control the destinies of his enterprise, and will assist the banker in determining a sound basis for the extension of banking credit.

TRADE TENDENCIES

(*Continued from page* 840)

indications of the gradual betterment in new business and suggest that the industry has sound foundation for its confidence in greater fall activity. The problem of prices is still one that bothers the producers, however, since prevailing markets leave them a rather thin margin over operating costs. One company has undertaken to reduce wages. The leading independent has effected economies in its executive departments. There is nothing to indicate that a general movement toward wage reductions is impending, however.

In the meantime, pig iron manifests considerable firmness and some producers have increased prices 50 cents a ton. The stability in steel products leaves the inference that consumers will eventually lose some of their present advantage.

RUBBER

Bull Movement Collapses

The rise in crude rubber seems definitely checked. It is probable that prices will not again return to the recent peak, at least not for some time to come. Deflation in recent weeks has been drastic, as anticipated. The loss of nearly 50 cents a pound has caused tire manufacturers to reconsider plans

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IMPORTANT CHANGES IN CAPITALIZATION OF LEADING COMPANIES

Actual Changes Reported Since Our Issue of Aug. 1

(*Continued from page* 827)

MOTOR WHEEL CORP.
Apr. 20—Sold: Add. Com. Stk .... shs 60,542

NIAGARA FALLS POWER CO.
Aug. 25—Offered: to Com. Holders right to subscribe, at $4, to 1 sh. NIAGARA SHARE CORP. for each sh. held .... shs 750,000
(NIAGARA SHARE CORP. was organized July 15; with 750,000 shs. no par Cap. Stk.; to acquire, for $1,764,875, from the CANADIAN NIAGARA POWER CO., LTD., 84,675 shs. of NIAGARA, LOCKPORT & ONTARIO POWER CO. Com.—and also to acquire, at $50.50, $1,200,000 of BUFFALO GENERAL ELECTRIC CO. Com. These two Com. Stks. were then to be exchanged for BUFFALO, NIAGARA & EASTERN CORP. Pfd. and Com. Stks., on basis noted in our issue of Aug. 1.).

NIAGARA, LOCKPORT & ONTARIO POWER CO. (Also see Niagara Falls Power Co.)
Aug. 1—Redeemed: at 110, all Series "A," rfndg. 6s, '58 .. $3,795,900

PACIFIC BANK. (See American Exchange National Bank.)

PENNSYLVANIA R. R. CO.
Aug. 13—Purchased: minority holding of Cap. Stk. of the WESTERN ALLEGHENY R. R. CO.

PITTSBURGH STEEL CO.
Aug. 15—Arranged to purchase: the $6,000,000 Cap. Stk. of the PITTSBURGH STEEL PRODUCTS CO.; consideration to be all of the below mentioned notes plus a block of Com. Stk.
Aug. 20—Increased: Auth. Com. Stk. from $19,500,000 to $39,500,000.
Authorized: an issue of $2,500,000 unsecured short term Notes.

PUBLIC SERVICE CORP. OF NEW JERSEY.
Aug. 1—Offered: to Holders of all classes of Stk. right to subscribe, at $62.50, to 1 sh. new Com. for each 10 shs. held .... shs 132,997

ST. JOSEPH LEAD CO.
June 20—Paid: to Cap. Stockholders a Div. of 25% in Cap. Stk. $3,875,534

SCHULTE RETAIL STORES CORP.
Between Jan. 15 and July 14—Purchased: 70 real estate properties, and sold 14; also opened 4 new stores.
Aug. 10—Offered: to Com. Holders right to subscribe, at $100, to 1 sh. new Com. for each 10 shs. held .... shs 37,500

SHATTUCK ARIZONA COPPER CO.
July 1—Invited: Cap. Stockholders to exchange, sh. for sh. for Cap. Stk. of the recently organized SHATTUCK DENN MINING CORP. (Auth. Cap. Stk.—1,000,000 shs. of no par value) .... shs 350,000
(Like offer made to Holders of 450,000 shs. DENN-ARIZONA COPPER CO. Capt. Stk., under plan to consolidate the two Companies.)

SHATTUCK (FRANK D.) CO.
Aug. 1—Acquired: "An interest" in CHRISTIE, BROWN & CO. LTD., largest manufacturer of biscuits and similar products in Canada.

STANDARD GAS & ELECTRIC CO.
July 7—Owned: 57.46% of the 257,956 shs. of LOUISVILLE GAS & ELECTRIC CO. Com. "B" Out.

SUBMARINE BOAT CORP.
Aug. 11—Paid: to Cap. Stockholders a Div. of 1 sh. Cap. Stk. of the ELECTRIC BOAT CO., recently organized to take over its building operations .... shs 776,920

TIDE WATER OIL CO.
Aug. 14—Offered: to Com. Holders right to subscribe, at $100, to 1 sh. new 5% Cum., cv., Pfd. for each 8 shs. held $25,221,500
Aug. 15—Made public offerings: of Bal. of Pfd. Stk. not taken by Stockholders.
Redeemed: at 101¾, all 10-Yr. g. 6½s, '31 .... $12,000,000

UNION TANK CAR CO.
Aug. 1—Redeemed: at 102½, all Series "A," 7% eq. tr. g. Notes, '30 .... $1,500,000

VIRGINIA RAILWAY & POWER CO.
June 25—Com. Stk. control, acquired May 20 by STONE & WEBSTER Syndicate (See our issue of June 6), sold to ENGINEERS PUBLIC SERVICE CO. (A public utility holding Co., recently organized, with Auth. no par Stk. of 400,000 shs. Pfd. and 1,000,000 shs. Com.) $8,000,000

WESTERN ELECTRIC CO. (See International Tel. & Tel.)

WEST PENN CO. (Controlled by American Water Works & Electric Co.)
Feb. 4—Sold: Add. 7% Cum. Pfd. Stk $1,500,000
Aug. 4—Sold: 1st ln. and rfndg. mtg. 5½s, '53, Series "B" of a Subsidiary, the MONONGAHELA WEST PENN PUBLIC SERVICE CO. $13,200,000

YELLOW CAB MANUFACTURING CO.
Aug. 17—Created: new issue of $100-par, 7% Cum. Pfd. Stk. $20,000,000
Created: new issue of $10-par, voting, Com. Stk $10,000,000
Authorized retirement: of all Class "A" Stk $675,000
Authorized change in name: to "YELLOW TRUCK AND COACH MANUFACTURING CO.
Authorized exchange: of 800,000 shs. new Com. for the plants and other assets of the GENERAL MOTORS CORP. Truck Division; book value $16,000,000

for further upward revision in tubes and casings.

Although it is to be expected that rubber will rally sharply from time to time, due to speculative influences, there is little to indicate that the market will encounter solid support until a lower level of prices is reached. Consumers will be slow to give up resistance to the still high cost of the commodity. Meanwhile, consumption has been restricted wherever possible and the British export allowances have been raised. Another significant feature in the situation is the recent rise in stocks at London. While this increase is small, some weight attaches to the fact that it is the first turn in many months.

Tire companies will probably show slightly smaller profits in the second half-year due to higher average costs and the lessening volume of production. Companies engaged in footwear manufacture are optimistic, however, and count upon business in this department to compensate for the possible sag in tire making revenues.

IS ENGLAND SWINGING TO STATE SOCIALISM?

(*Continued from page* 809)

and the reduction of production costs in the basic exporting industries. But this involves an attack on the Trades Union policy of restricted output per man, and no one dares come to grips with labor on this issue, as it would temporarily result in much more unemployment.

But there is another question. Suppose the cost of food rises? What then? Would labor and especially the unemployed be content to pay more, especially when the reduction of the doles had been made consequent on cheap food? If, on the other hand, the government yields and the difference is paid for by the middle classes, could they stand a load of taxation such as would result? And even if they could pay it, would this crushing of the last vestige of savings, to be spent in a communistic food scheme, give England any hope of recovering financial power?

The repercussions on England's trade would be interesting. She would import at least the same amount of food that she does today. She would have to pay for it eventually either out of exports or out of capital. The latter is not to be thought of, and where will she get the markets for her exports? Surely if there is protection, the costs of protected articles will rise, and in so far as these enter into manufacturing costs England would be crippled. They dare not lower wages by too much. If they cannot export as much as today will there not be even more unemployment? Then Baldwin's scheme will have destroyed itself.

The repercussions on America would

(*Please turn to page* 872)

be interesting. If there is Imperial Preference then Canadian grain would have an automatic market, where we would have to sell only on the allotted margin, over and above the Canadian supply. But Canada would have to be paid heavily to keep out of the world market and sell to the mother country first. What effect would this have on the price and quantity of our wheat exports? In meat too, we would be affected but not quite so much, as Imperial competition is not so important.

The events in Great Britain have great importance for us. We might have expected Germany to swerve into State Socialism but England remains a surprise. For the British bondholder it means little, for the temporary reduction of discontent would if anything make his securities safer.

Even were the scheme to prove a flat failure, England is not a country about whose bonds one need worry, just yet. But it is American business and government that are most concerned.

We need not be so much concerned that American labor will ask for food at cost, for there is no need for that here. And when this food bounty not only fails, as all such schemes have failed in the past, and it is shown that England delayed readjustment by going down this blind alley, American labor will be definitely cured.

American finance must be interested. The establishment of the Gold Standard in England is by our grace; there is no gainsaying this cruel fact. England is a function of our Federal Reserve Bank. It remains to see whether her being tied to a gold standard that she cannot support commercially, will result in her becoming also a price function of America.

If so, her independent economic existence is at an end, and her problems will be acute. For she will be in the American price cycle without the many advantages here that enable us to cope with this cycle. When the government is reminded that the Gold Standard has slowed up export trade—England's life blood—their answer is that this policy must be judged over a period of years. So Tories and Free Traders alike counsel patience—in other words, avoidance of all England's dilemmas. Only the extreme liberals such as Keynes and Stamp feel that England cannot at once maintain the Gold Standard, balanced budget and debt payments on the one hand, and have heavy exports, a great credit market and an investment surplus on the other. But even they do not face the fundamentals of unemployment. It leads Americans to wonder whether England as a world economic power is not permanently passé.

Our Future Plans for The Magazine of Wall Street
See page 791

Pacific Gas and Electric Company

245 Market Street, San Francisco

The second largest hydro-electric power company and also one of the largest distributors of gas in the United States.

The Company operates in thirty-eight counties in Northern and Central California, with an area of 59,000 square miles and a population of over 2,200,000. In this field, one of the most rapidly growing sections in the country, it serves 291 cities and towns, as well as an extensive and diversified rural area. In 1924, sixty per cent of its revenues were derived from sales of electric energy, thirty-five per cent from gas sales, and five per cent from the sale of water and other minor activities.

All of the Company's bond issues are legal for savings banks in California, Maine, Vermont and New Hampshire.

Quarterly dividends are paid on its Preferred Stock at the annual rate of $6.00 per share, and on its Common Stock at the annual rate of $8.00 per share.

INCOME ACCOUNT

	6 Months Ended June 30, 1925	12 Months Ended June 30, 1925
Gross Revenue	$23,917,114	$46,651,313
Operating Expenses, Maintenance, Taxes (including Federal Taxes), Rentals and Reserves for Casualties and Uncollectible Accounts	14,199,406	28,663,896
Net Income	$9,717,708	$17,987,417
Bond Interest and Discount	3,824,798	7,088,072
Balance	$5,892,910	$10,899,345
Reserve for Depreciation	1,917,927	3,369,413
Surplus Available for Dividends	$3,974,983	$7,529,932
Dividends on Preferred Stock (6%)	1,632,668	3,262,745
Balance	$2,342,315	$4,267,187
Dividends on Common Stock (8%)	1,739,430	3,354,957
Balance (Unappropriated Surplus)	$602,885	$912,230

BALANCE SHEET, JUNE 30, 1925

Assets

Plants and Properties		$263,861,713
Investments		238,623
Discount and Expense on Capital Stock		8,983,237
Trustees of Sinking Funds (Uninvested Funds)		377,626
Current Assets:		
Cash	$13,013,308	
Other	13,083,653	
		26,096,961
Deferred Charges:		
Discount and Expenses on Funded Debt in Process of Amortization	$8,836,577	
Less Undistributed Suspense Items	703,429	
		8,133,148
Total Assets		$307,691,308

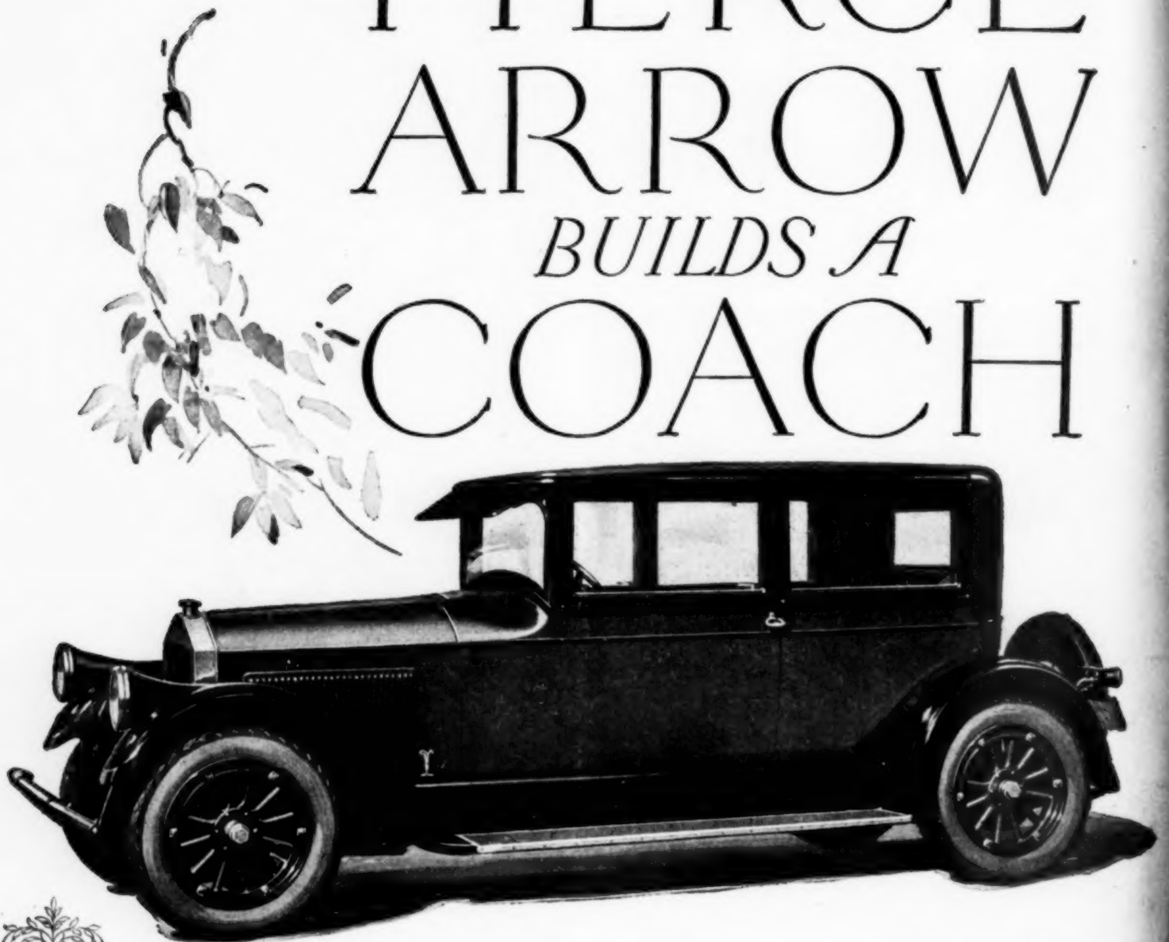
Liabilities

Common Stock Outstanding	$48,130,848
Preferred Stock Outstanding	54,464,532
Stock of Subsidiary Companies owned by Public	18,003
Funded Debt in Hands of Public	162,385,800
Current Liabilities	9,436,179
Reserve for Renewals and Replacements	18,486,597
Other Reserves	4,402,481
Surplus Unappropriated	10,366,868
	$307,691,308

RECORD OF TEN YEARS' GROWTH

Year Ended Dec. 31	Gross Oper. Revenue	Sales of Electricity K. W. H.	Sales of Gas Cubic Feet	Number of Consumers December 31	Number of Stockholders December 31
1914	$16,912,688	452,004,000	7,648,252,000	378,705	2,898*
1920	34,481,960	1,042,266,000	10,644,650,000	569,359	14,020
1921	36,939,474	1,021,821,000	11,483,551,000	599,113	18,204
1922	38,593,562	1,098,123,000	12,353,849,000	645,410	25,265
1923	39,321,535	1,199,063,000	13,674,794,000	710,034	26,294
1924	44,451,586	1,333,854,000	15,277,478,000	763,617	31,859
Gain in Ten Years	$27,538,898	881,850,000	7,629,226,000	384,912	28,961
Increase Per Cent	162.8%	195.1%	99.8%	101.6%	999.3%

**As of June, 3, 1914, when Pacific Gas and Electric Company first announced its plan of selling stock directly to its customers. This was the inception of the present nation-wide customer ownership movement—the greatest forward step in public policy and finance in the history of American public utilities.*



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